

**PATENT ASSIGNMENT**

Electronic Version v1.1  
 Stylesheet Version v1.1

<b>SUBMISSION TYPE:</b>	NEW ASSIGNMENT
<b>NATURE OF CONVEYANCE:</b>	SECURITY AGREEMENT
<b>CONVEYING PARTY DATA</b>	
<b>Name</b>	<b>Execution Date</b>
Espial Group Inc.	05/09/2007
<b>RECEIVING PARTY DATA</b>	
<b>Name:</b>	Comerica Bank
<b>Street Address:</b>	Suite 2210, South Tower, Royal Bank Plaza
<b>City:</b>	Toronto, Ontario
<b>State/Country:</b>	CANADA
<b>Postal Code:</b>	M5J 2J2
<b>PROPERTY NUMBERS Total: 4</b>	
<b>Property Type</b>	<b>Number</b>
Patent Number:	6677933
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Application Number:	10784280
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<b>CORRESPONDENCE DATA</b>	
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Total Attachments: 25  
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**COMERICA BANK****GENERAL SECURITY AGREEMENT**

**THIS GENERAL SECURITY AGREEMENT** is made the 9<sup>th</sup> day of May, 2007.

BETWEEN:

Espial Group Inc., a corporation existing under the federal laws of Canada having its chief executive office at 200 Elgin Street, Suite 807, Ottawa, Ontario, K2P 1L5.

Facsimile: (613) 230-8498

(the "**Debtor**")

AND:

**COMERICA BANK**, a Michigan banking corporation and authorized foreign bank under the *Bank Act* (Canada), Suite 2210, South Tower, Royal Bank Plaza, PO Box 61, Toronto, Ontario, M5J 2J2

Facsimile: (416) 367-2460

(the "**Bank**")

**SECTION 1- SECURITY INTEREST**

**1.1** For consideration the Debtor does hereby:

(1) mortgage and charge as and by way of a fixed and specific charge, and assign and transfer to the Bank, and grant to the Bank a security interest in, all the Debtor's right, title and interest in and to all its presently owned or held and after acquired or held personal property, of whatever nature or kind (except the kinds set out in Section 1.4 and Section 2 below) and wheresoever situate, and all proceeds thereof and therefrom including, without limitation:

- (a) all present and future equipment, including, without limiting the generality of the foregoing, machinery, tools, fixtures, tenant improvement, furniture, chattels, motor vehicles and other tangible personal property that is not Inventory, and all parts, components, attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the foregoing (all of which is hereinafter collectively called the "**Equipment**");
- (b) all present and future inventory, including, without limiting the generality of the foregoing, goods acquired or held for sale or lease or furnished or to be furnished under contracts of rental or service, all raw materials, work in process, finished

goods, returned goods, repossessed goods, and all packaging materials, supplies and containers relating to or used or consumed in connection with any of the foregoing (all of which is hereinafter collectively called the “**Inventory**”);

- (c) all debts, accounts, claims, demands, monies and choses in action which now are, or which may at any time hereafter be, due or owing to or owned by the Debtor and all books, records, documents, papers and electronically recorded data recording, evidencing or relating to the said debts, accounts, claims, demands, monies and choses in action or any part thereof (all of which is hereinafter collectively called the “**Accounts**”);
- (d) all documents of title, chattel paper, instruments, securities and money, and all other goods of the Debtor that are not Equipment, Inventory or Accounts;
- (e) all Contracts, contractual rights, goodwill and all other choses in action of the Debtor of every kind which now are, or which may at any time hereafter be, due or owing to or owned by the Debtor, and all other intangible property of the Debtor which is not Accounts, chattel paper, instruments, documents of title, securities or money;
- (f) all Intellectual Property, including the Intellectual Property described in Schedule B; and

(2) charge as and by way of a floating charge, and grant to the Bank a security interest in and to all the Debtor’s right, title and interest in and to all its presently owned or held and after acquired or held real, immovable and leasehold property and all interests therein, and all easements, rights of way, privileges, benefits, licences, improvements and rights whether connected therewith or appurtenant thereto or separately owned or held, including all structures, plant and other fixtures (all which is hereinafter collectively called the “**Real Property**”).

**1.2** Without prejudice to any other security created in this Security Agreement and as additional continuing and collateral security for the due and punctual performance of fulfillment of the Obligations, the Debtor hereby hypothecates in favour of the Bank the universality of its movable property, present and future, corporeal and incorporeal, wherever situated for the sum of \$3,600,000 in lawful currency of Canada with interest thereon from the date hereof at the rate of 24% *per annum*. The hypothec herein created in favour of the Bank shall not constitute nor be construed as a floating hypothec. The full amount of the hypothec herein created shall be and remain continuing collateral security in favour of the Bank notwithstanding the fact that all or part of the Obligations arise prior to, at the time of or subsequent to the execution hereof. The hypothec herein created is a continuous security which shall subsist notwithstanding any fluctuation of the amounts hereby secured. The Debtor shall be deemed to oblige itself again as provided in Article 2797 of the *Civil Code of Québec* with respect to any future Obligations hereby secured

**1.3** The Liens created pursuant to Section 1.1 and Section 1.2 are hereinafter collectively called the “Security Interests” and any undertaking, property and assets subject to the Security

Interests and any other undertakings, assets and property, real or personal, tangible or intangible, now existing or hereafter acquired by the Debtor, that may at any time be or be expressed to be charged, assigned or transferred or secured by any instruments supplemental hereto or in implementation hereof are hereinafter collectively called the "Collateral".

**1.4** Notwithstanding Sections 1.1, 1.2 or 1.3 the Collateral shall not include any Contract, Account, User Licence, permit, licence, claim, demand, chose in action or other intangible which, as a matter of law or by its terms, is not assignable or may not be charged or otherwise encumbered by the Debtor without the consent, authorization, approval or waiver of a third party (all such Contracts, Accounts, User Licences, permits, licences, claims, demands, choses in action and other intangibles are collectively referred to herein as the "Restricted Assets") unless and until such consent, authorization, approval or waiver has been obtained, provided that, until such time as the applicable consent, authorization, approval or waiver has been obtained, the Debtor shall hold each Restricted Asset in trust for the Bank and will assign and dispose of the same in such manner as the Bank may from time to time direct as and when the Bank is entitled to realize upon Collateral in accordance with Section 12. The Debtor agrees that it will use all such reasonable efforts as may be required to obtain as expeditiously as possible all such consents, authorizations, approvals or waivers other than those required under governmental permits or licences with respect to which a consent to mortgage is not capable of being obtained.

Notwithstanding this Section 1, the Debtor's grant of security in Trade-marks (as defined in the *Trade-marks Act* (Canada)) shall be limited to a grant by the Debtor of a security interest in all of the Debtor's right, title and interest in such Trade-marks (as defined in the *Trade-marks Act* (Canada)).

## **SECTION 2 - FURTHER EXCEPTIONS**

**2.1** Notwithstanding any other term or provision herein, any charge and security interest shall not extend or apply to the last day of the term of any lease or any agreement therefor now held or hereafter acquired by the Debtor but should such charge and security interest become enforceable, the Debtor shall thereafter stand possessed of such last day and shall hold it in trust to assign the same to any person acquiring such term or the part thereof mortgaged and charged in the course of any enforcement of the said charge and security interest or any realization of the subject matter thereof.

**2.2** All consumer goods (as defined in the Act) of the Debtor are hereby excepted out of the Security Interests created by this Security Agreement.

## **SECTION 3 - ATTACHMENT**

**3.1** The Debtor acknowledges that the Security Interests hereby created attach upon the execution of this Security Agreement (or in the case of any after acquired property, upon the date of acquisition thereof), that value has been given, and that the Debtor has (or in the case of any after acquired property, will have upon the date of acquisition) rights in the Collateral.

## **SECTION 4 - PROHIBITIONS**

**4.1** Without the prior written consent of the Bank the Debtor shall not have power to:

- (a) create or permit to exist any Lien over, or claim against any of the Collateral which ranks or could in any event rank in priority to or *pari passu* with any of the Security Interests created by this Security Agreement other than Permitted Liens; or
- (b) grant, sell or otherwise assign its chattel paper.

**4.2** The Debtor agrees not to sell, transfer, assign, mortgage, pledge, lease, grant a security interest in or encumber any of its Intellectual Property, except for non-exclusive licences of its Intellectual Property and exclusive licenses with respect to custom Software developed for specific customers and similar arrangements for the use of its Intellectual Property in the ordinary course of business.

## **SECTION 5 - OBLIGATIONS SECURED**

**5.1** This Security Agreement and the Security Interests hereby created are in addition to and not in substitution for any other security interest now or hereafter held by the Bank from the Debtor or from any other person whomsoever and shall be general and continuing security for the payment and performance of all the Debtor's Obligations.

## **SECTION 6 - REPRESENTATIONS AND WARRANTIES**

**6.1** The Debtor represents and warrants that this Security Agreement is granted in accordance with resolutions of the directors (and of the shareholders as applicable) of the Debtor and all other matters and things have been done and performed so as to authorize and make the execution and delivery of this Security Agreement, and the performance of the Debtor's obligations hereunder, legal, valid and binding.

**6.2** The Debtor represents and warrants that the Debtor has rights in or the power to transfer the Collateral, and its title to the Collateral is free and clear of Liens, adverse claims and restrictions on transfer or pledge except for Permitted Liens, and the Debtor has good right and lawful authority to grant a security interest in the Collateral as provided by this Security Agreement.

**6.3** The Debtor represents and warrants and, so long as this Security Agreement remains in effect, shall be deemed to continuously represent and warrant that the locations specified in Schedule A as to business operations and records are accurate and complete and with respect to goods (including Inventory) constituting Collateral, the locations specified in Schedule A are accurate and complete save for goods in transit to such locations and Inventory on lease or consignment.

**6.4** Except as set out in Schedule B, the Debtor is the sole owner of the Intellectual Property except for non exclusive licenses granted on commercially reasonable terms by the Debtor to its customers in the ordinary course of business. The Intellectual Property is valid and enforceable and no claim has been made that any part of the Intellectual Property violates the rights of any third party.

## **SECTION 7 - COVENANTS OF THE DEBTOR**

**7.1** The Debtor covenants that at all times while this Security Agreement remains in effect the Debtor will:

- (a) maintain its corporate existence and good standing in its jurisdiction of incorporation and maintain qualification and good standing in each other jurisdiction in which the failure to so qualify would reasonably be expected to have a Material Adverse Effect, and shall furnish to the Bank the organizational identification number issued to the Debtor by the authorities of the jurisdiction in which the Debtor is organized, if applicable;
- (b) comply with all statutes, laws, ordinances and government rules and regulations to which it is subject, and maintain, in force all licenses, approvals and agreements, the loss of which or failure to comply with which would reasonably be expected to have a Material Adverse Effect;
- (c) keep all Inventory in good and marketable condition, free from all material defects except for Inventory for which adequate reserves have been made;
- (d) defend the title to the Collateral for the benefit of the Bank against the claims and demands of all persons and will diligently initiate and prosecute legal action against all infringers of the Debtor's rights in Intellectual Property;
- (e) fully and effectually maintain and keep maintained the Security Interests hereby created valid and effective;
- (f) maintain the Collateral in good order and repair;
- (g) forthwith pay:
  - (i) material federal, provincial, state, and local taxes, assessments, or contributions required of it by law, and execute and deliver to the Bank, on demand appropriate certificates attesting to the payment or deposit thereof; and make timely payment or deposit of all material tax payments and withholding taxes required of it by applicable laws, including, but not limited to, those laws concerning provincial and federal income taxes, and will, upon request, furnish the Bank with proof satisfactory to the Bank that the Debtor has made such payments or deposits unless the Debtor shall in good faith contest, by appropriate proceedings, its obligations so

to pay and shall reserve against such payment to the extent required by GAAP; and

- (ii) all Liens which rank or could in any event rank in priority to any Security Interest created by this Security Agreement other than Permitted Liens;
- (h) forthwith, but subject to and to the extent agreed to in the Loan Agreement, pay all costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) which may be incurred by the Bank in:
  - (i) inspecting the Collateral;
  - (ii) negotiating, preparing, perfecting and registering this Security Agreement and other documents, whether or not relating to this Security Agreement; and
  - (iii) investigating title to the Collateral;
- (i) forthwith pay all costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) which may be incurred by the Bank in:
  - (i) taking, recovering and keeping possession of the Collateral; and
  - (ii) all other actions and proceedings taken in connection with the preservation of the Collateral and the enforcement of this Security Agreement and of any other security interest held by the Bank as security for the Obligations;
- (j) at the Bank's request at any time and from time to time execute and deliver such further and other documents and instruments and do all acts and things as are reasonably required by the Bank in order to confirm and perfect, and maintain perfection of, the Security Interests hereby created in favour of the Bank upon any of the Collateral;
- (k) notify the Bank promptly of:
  - (i) any change in the information contained herein relating to the Debtor, its business or the Collateral, including without limitation any change of name or address of the Debtor and any change in the present location of any Collateral;
  - (ii) the details of any material acquisition of Collateral;
  - (iii) any material loss or damage to Collateral;
  - (iv) any material default by any account debtor in payment or other performance of his obligations to the Debtor with respect to any Accounts; and



- (v) the return to or repossession by the Debtor of Collateral where such return or repossession of Collateral is material in relation to the business of the Debtor;
- (l) prevent Collateral, other than Inventory sold, leased, or otherwise disposed of as permitted hereby, from being or becoming an accession to other property not covered by this Security Agreement;
- (m) carry on and conduct its business in a proper and business like manner, including maintenance of proper books of account and records;
- (n) permit the Bank and its representatives, at all reasonable times access to all its Collateral and to all its books of account and records respecting such Collateral for the purpose of inspection and render all assistance reasonably necessary for such inspection;
- (o) deliver to the Bank from time to time promptly upon request:
  - (i) any documents of title, instruments, securities and chattel paper constituting, representing or relating to Collateral;
  - (ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to Collateral for the purpose of inspecting, auditing or copying the same; and
  - (iii) such information concerning Collateral and the Debtor and the Debtor's business and affairs related to the Security Interest as the Bank may require;
- (p) do everything reasonably necessary or desirable to preserve and maintain the Intellectual Property including, without limitation:
  - (i) register or cause to be registered on an expedited basis (to the extent not already registered) with the Canadian Intellectual Property Office, the United States Patent and Trademark Office or the United States Copyright Office, as the case may be, those registrable intellectual property rights now owned or hereafter developed or acquired by the Debtor, to the extent that the Debtor, in its reasonable business judgement, deems it appropriate to so protect such intellectual property rights;
  - (ii) promptly give the Bank written notice of any applications or registrations of intellectual property rights filed with the United States Patent and Trademark Office or the Canadian equivalents thereof, including the date of such filing and the registration or application numbers, if any;

- (iii) (a) give the Bank prompt written notice of the filing of any applications or registrations with the United States Copyright Office and the Canadian equivalent thereof, including the title of such intellectual property rights to be registered, as such title will appear on such applications or registrations, and the date such applications or registrations will be filed; (b) prior to the filing of any such applications or registrations, execute such documents as the Bank may reasonably request for the Bank to maintain its perfection in such intellectual property rights to be registered by the Debtor; (c) upon the request of the Bank, either deliver to the Bank or file such documents simultaneously with the filing of any such applications or registrations; (d) upon filing any such applications or registrations, promptly provide the Bank with a copy of such applications or registrations together with any exhibits, evidence of the filing of any documents requested by the Bank to be filed for the Bank to maintain the perfection and priority of its security interest in such intellectual property rights, and the date of such filing;
- (iv) execute and deliver such additional instruments and documents from time to time as the Bank shall reasonably request to perfect and maintain the perfection and priority of the Bank's security interest in the Intellectual Property;
- (v) (a) protect, defend and maintain the validity and enforceability of its trade secrets, Trademarks, Patents and Copyrights, (b) promptly advise the Bank in writing of material infringements of the Trademarks, Patents and Copyrights of which it becomes aware, and (c) not allow any material Trademarks, Patents or Copyrights to be abandoned, forfeited or dedicated to the public without the written consent of the Bank, which shall not be unreasonably withheld;
- (vi) ensure that the License Agreements executed by the Debtor adequately protect the Debtor's rights in the subject Intellectual Property;
- (vii) perform all of its obligations under the License Agreements and all Contracts;
- (viii) design Software so that duplicating the Source Code from a copy of the Object Code is impractical, disclose Source Code only on a "need to know" basis, obtain from all employees having a material input into any Software a confidentiality agreement with respect to the concepts involved;
- (ix) commence and prosecute, at its own expense, such suits, proceedings or other actions for infringement, passing off, unfair competition, dilution or other damage as are in its reasonable business judgment necessary to protect the Intellectual Property; and

- (x) diligently, at its own expense, enforce its rights under Contracts and other agreements which enhance the value of or protect the Intellectual Property.

**7.2** The Debtor covenants that at all times while this Security Agreement remains in effect, without the prior written consent of the Bank, it will not:

- (a) declare or pay any dividends;
- (b) purchase or redeem any of its shares or otherwise reduce its share capital;
- (c) become guarantor of any obligation; or
- (d) become an endorser in respect of any obligation or otherwise become liable upon any note or other obligation other than bills of exchange deposited to the bank account of the Debtor.

## **SECTION 8 – INSURANCE**

**8.1** The Debtor covenants that at all times while this Security Agreement is in effect the Debtor shall keep all insurance in place as required by the Loan Agreement.

## **SECTION 9- PERFORMANCE OF OBLIGATIONS**

**9.1** If the Debtor fails to perform its obligations hereunder, the Bank may, but shall not be obliged to, perform any or all of such obligations without prejudice to any other rights and remedies of the Bank hereunder, and any payments made and any costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred in connection therewith shall be payable by the Debtor to the Bank forthwith with interest until paid at the highest rate borne by any of the Obligations.

## **SECTION 10 - RESTRICTIONS ON SALE OR DISPOSAL OF COLLATERAL**

**10.1** Except as otherwise provided herein or in the Loan Agreement, without the prior written consent of the Bank the Debtor will not:

- (a) sell, lease or otherwise dispose of the Collateral;
- (b) release, surrender or abandon possession of the Collateral; or
- (c) move or transfer the Collateral from the jurisdictions in which the Security Interests hereby created have been perfected.

**10.2** Provided that no Default has occurred, the Debtor may, at any time without the consent of the Bank, lease, sell, licence, consign or otherwise deal with items of Inventory in the ordinary course of its business and for the purposes of carrying on its business.

## SECTION 11 - DEFAULT

11.1 The occurrence of any Event of Default under the Loan Agreement, shall constitute a Default under this Security Agreement.

## SECTION 12 - ENFORCEMENT

12.1 Upon the occurrence of a Default, the Bank may, at its election without notice of its election and without demand, declare any or all of the Obligations to become immediately due and payable and the security hereby constituted will immediately become enforceable. To enforce and realize on the Security Interests created by this Security Agreement the Bank may take any action permitted by law or in equity, as it may deem expedient, and in particular and without limiting the generality of the foregoing, the Bank may do any of the following:

- (a) appoint by instrument a receiver, receiver and manager or receiver manager (the person so appointed being hereinafter called the “**Receiver**”), with or without bond as the Bank may determine, and from time to time in its absolute discretion remove such Receiver and appoint another in its stead;
- (b) enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any encumbrance, charge, or Lien which in the Bank’s determination appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of the Debtor’s owned premises, the Debtor hereby grants the Bank a license to enter into possession of such premises and to occupy the same, without charge, in order to exercise any of the Bank’s rights or remedies provided herein, at law, in equity, or otherwise;
- (c) preserve, protect and maintain the Collateral and make such replacements thereof and repairs and additions thereto as the Bank may deem advisable;
- (d) sell, lease or otherwise dispose of all or any part of the Collateral, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained therefor and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as to the Bank may seem reasonable, provided that if any sale, lease or other disposition is on credit the Debtor will not be entitled to be credited with the proceeds of such sale, lease or other disposition until the monies therefor are actually received; and
- (e) exercise any and all rights under this Agreement, the other Loan Documents or as otherwise permitted by law.

12.2 The Bank is hereby granted a licence or other right, solely pursuant to the provisions of this Section 12, to use without charge the Debtor’s labels, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a

similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with the Bank's exercise of its rights under this Section 12, the Debtor's rights under all licences and all franchise agreements shall enure to the Bank's benefit.

**12.3** A Receiver appointed pursuant to this Security Agreement shall be the agent of the Debtor and not of the Bank and, to the extent permitted by law or to such lesser extent permitted by its appointment, shall have all the powers of the Bank hereunder, and in addition shall have power to carry on the business of the Debtor and for such purpose from time to time to borrow money either secured or unsecured, and if secured by a security interest on any Collateral, such security interest may rank before or *pari passu* with or behind any of the Security Interests created by this Security Agreement, and if it does not so specify such security interest shall rank in priority to the Security Interests created by this Security Agreement.

**12.4** Subject to the claims, if any, of the creditors of the Debtor ranking in priority to this Security Agreement, all amounts realized from the disposition of Collateral pursuant to this Security Agreement will be applied as the Bank, in its absolute discretion, may direct as follows:

- (a) in payment of all costs, charges and expenses (including legal fees and disbursements on a solicitor and his own client basis) incurred by the Bank in connection with or incidental to:
  - (i) the exercise by the Bank of all or any of the powers granted to it pursuant to this Security Agreement; and
  - (ii) the appointment of the Receiver and the exercise by the Receiver of all or any of the powers granted to it pursuant to this Security Agreement, including the Receiver's reasonable remuneration and all outgoings properly payable to the Receiver;
- (b) in or toward payment to the Bank of all principal and other monies (except interest) due in respect of the Obligations; and
- (c) in or toward payment to the Bank of all interest remaining unpaid in respect of the Obligations.

Subject to applicable law and the claims, if any, of other creditors of the Debtor, any surplus will be paid to the Debtor.

### **SECTION 13 - DEFICIENCY**

If the amounts realized from the disposition of the Collateral are not sufficient to pay the Obligations in full, the Debtor will immediately pay to the Bank the amount of such deficiency.

### **SECTION 14 - LIABILITY OF BANK**

**14.1** The Bank shall not be responsible or liable for any debts contracted by it, for damages to persons or property or for salaries or non fulfillment of contracts during any period when the Bank shall manage the Collateral upon entry, as herein provided, nor shall the Bank be liable to account as a mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable. The Bank shall not be bound to do, observe or perform or to see to the observance or performance by the Debtor of any obligations or covenants imposed upon the Debtor nor shall the Bank, in the case of securities, instruments or chattel paper, be obliged to preserve rights against other persons, nor shall the Bank be obliged to keep any of the Collateral identifiable. The Bank has no obligation to clean up or otherwise prepare the Collateral for sale. All risk of loss, damage or destruction of the Collateral shall be borne by the Debtor. The Debtor hereby waives any applicable provision of law permitted to be waived by it which imposes higher or greater obligations upon the Bank than aforesaid.

### **SECTION 15 - APPOINTMENT OF ATTORNEY**

**15.1** The Debtor hereby irrevocably appoints the Bank or the Receiver, as the case may be, with full power of substitution, to be the attorney of the Debtor for and in the name of the Debtor to sign, endorse or execute under seal or otherwise any deeds, documents, transfers, cheques, instruments, demands, assignments, assurances or consents that the Debtor is obliged to sign, endorse or execute and generally to use the name of the Debtor and to do all things as may be necessary or incidental to the exercise of all or any of the powers conferred on the Bank or the Receiver, as the case may be, pursuant to this Security Agreement.

### **SECTION 16 - ACCOUNTS**

**16.1** Notwithstanding any other provision of this Security Agreement, the Bank may collect, realize, sell or otherwise deal with the Accounts 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 in the case of disposition after the occurrence of a Default and then subject to the provisions of the Act. All monies or other forms of payment received by the Debtor in payment of any Account will be received and held by the Debtor in trust for the Bank. At any time after the occurrence and during the continuance of a Default, the Bank may notify any account debtor or other Person owing funds to the Debtor of the Bank's security interest in such funds and verify the amount of such Account. The Debtor shall collect all amounts owing to the Debtor for the Bank, receive in trust all payments as Banks' trustee, and immediately deliver such payments to the Bank in their original form as received from the account debtor, with proper endorsements for deposit.

### **SECTION 17 - APPROPRIATION OF PAYMENTS**

**17.1** Any and all payments made in respect of the Obligations from time to time and monies realized from any security interests held therefor (including monies collected in accordance with or realized on any enforcement of this Security Agreement) may be applied to such part or parts of the Obligations as the Bank may see fit, and the Bank may at all times and from time to time change any appropriation as the Bank may see fit.

**SECTION 18 - INTENTIONALLY DELETED**

**SECTION 19 - LIABILITY TO ADVANCE**

**19.1** Except to the extent that the Bank:

- (a) by accepting bills of exchange drawn on it by the Debtor; or
- (b) by issuing letters of credit or letters of guarantee on the application of the Debtor;

is required to advance monies on the maturity of such bills or pursuant to such letters of credit or letters of guarantee, as the case may be, none of the preparation, execution, perfection and registration of this Security Agreement or the advance of any monies shall bind the Bank to make any advance or loan or further advance or loan, or renew any note or extend any time for payment of any indebtedness or liability of the Debtor to the Bank.

**SECTION 20 - WAIVER**

**20.1** The Bank may from time to time and at any time waive in whole or in part any right, benefit or default under any clause of this Security Agreement but any such waiver of any right, benefit or default on any occasion shall be deemed not to be a waiver of any such right, benefit or default thereafter, or of any other right, benefit or default, as the case may be. No waiver shall be effective unless it is in writing.

**SECTION 21 - NOTICE**

**21.1** Notice may be given to either party by personal delivery or facsimile transmission to the party for whom it is intended, at the principal address of such party provided in the Loan Agreement or at such other address as may be given in writing by such party to the other, and any notice shall be deemed to have been given on delivery or confirmation of transmission if received by 3:00 p.m. local time on a business day or on the next business day if received after that time.

**SECTION 22 - EXTENSIONS**

**22.1** The Bank may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of security interests, and otherwise deal with the Debtor, account debtors of the Debtor, sureties and others and with Collateral and other security interests as the Bank may see fit without prejudice to the liability of the Debtor or the Bank's right to hold and realize on the Security Interests created by this Security Agreement.

**SECTION 23 - NO MERGER**

**23.1** This Security Agreement shall not operate so as to create any merger or discharge of any of the Obligations, or of any assignment, transfer, guarantee, lien, contract, promissory note, bill of exchange or security interest of any form held or which may hereafter be held by the Bank from the Debtor or from any other person whomsoever. The taking of a judgment with respect to any of the Obligations will not operate as a merger of any of the covenants contained in this Security Agreement.

#### **SECTION 24 - RIGHTS CUMULATIVE**

**24.1** All rights and remedies of the Bank set out in this Security Agreement, and in any other security agreement held by the Bank from the Debtor or any other person whomsoever to secure payment and performance of the Obligations, are cumulative and no right or remedy contained herein or therein is intended to be exclusive but each is in addition to every other right or remedy contained herein or therein or in any future security agreement, or now or hereafter existing at law, in equity or by statute, or pursuant to any other agreement between the Debtor and the Bank that may be in effect from time to time.

#### **SECTION 25 - ASSIGNMENT**

**25.1** The Bank may, without further notice to the Debtor, at any time assign, transfer or grant a security interest in this Security Agreement and the Security Interests created hereby. The Debtor expressly agrees that the assignee, transferee or secured party, as the case may be, shall have all of the Bank's rights and remedies under this Security Agreement and the Debtor will not assert any defense, counterclaim, right of set off or otherwise any claim which it now has or hereafter acquires against the Bank in any action commenced by such assignee, transferee or secured party, as the case may be, and will pay the Obligations to the assignee, transferee or secured party, as the case may be, as the Obligations become due.

#### **SECTION 26 - SATISFACTION AND DISCHARGE**

**26.1** Any partial payment or satisfaction of the Obligations, or any ceasing by the Debtor to be indebted to the Bank shall be deemed not to be a redemption or discharge of this Security Agreement. The Debtor shall be entitled to a release and discharge of this Security Agreement and the Security Interests upon full payment and satisfaction of all Obligations, and upon written request by the Debtor and payment to the Bank of a commercially reasonable discharge fee to be fixed by the Bank and payment of all costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred by the Bank in connection with the Obligations and such release and discharge.

#### **SECTION 27 - ENUREMENT**

**27.1** This Security Agreement shall enure to the benefit of the Bank and its successors and assigns, and shall be binding upon the successors and permitted assigns of the Debtor.

#### **SECTION 28 - INTERPRETATION**



**28.1** Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein which are not otherwise defined shall have the meanings provided in the Loan Agreement, and in this Security Agreement:

“**Account**” has the meaning assigned in Section 1.1(1)(c) of this Security Agreement.

“**Collateral**” has the meaning set out in Section 1.2 of this Security Agreement and any reference to Collateral shall, unless the context otherwise requires, be deemed to be a reference to Collateral as a whole or any part thereof.

“**Contracts**” means all contractual, allied ancillary and subsidiary rights, rights in intangibles and all properties and things of value pertaining to the Collateral other than Intellectual Property including, without limitation, all rights and benefits arising in favour of the Debtor under contracts to which it is a party or pursuant to which it receives a benefit.

“**Copyrights**” means all copyrights, domestic and foreign (whether registered or unregistered), now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the Canadian Copyright Office or United States Copyright office or in any similar office in any other country, and all reissues, extensions or renewals thereof.

“**Default**” has the meaning assigned in Section 11.1 of this Security Agreement.

“**Equipment**” has the meaning assigned in Section 1.1(1)(a) of this Security Agreement.

“**Grantor Licences**” means all agreements pursuant to which the Debtor has granted rights or an option to acquire rights to use any Intellectual Property.

“**Guarantor**” has the meaning assigned in the Loan Agreement.

“**Industrial Design**” means:

- (i) all industrial designs and applications for industrial designs throughout the world, including all industrial design applications in preparation for filing anywhere in the world;
- (ii) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and re-examinations of any of the items described in clause (i);
- (iii) all industrial design licences and other agreements providing the Debtor with the right to use any of the items of the type referred to in clauses (i) and (ii);

- (iv) the right to sue third parties for past, present or future infringements of any industrial design or industrial design application, and for breach or enforcement of any industrial design licence; and
- (v) all proceeds of, and rights associated with, the foregoing (including licence royalties and proceeds of infringement suits), and all rights corresponding thereto throughout the world.

**“Insolvency Proceeding”** means any proceeding commenced by or against any Person or entity under any provision of the *Bankruptcy and Insolvency Act* (Canada) or the *Companies’ Creditors Arrangement Act* (Canada), each as amended, or under any other bankruptcy or insolvency law of any jurisdiction, including assignments for the benefit of creditors, formal or informal moratoria, compositions, extension generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

**“Intellectual Property”** means all Copyrights, Patents, Industrial Designs, Trademarks and any other intellectual or industrial property now owned or licensed or hereafter owned, acquired or licensed by the Debtor, including the intellectual property described in Schedule B, and including trade secrets, Software and Software Documentation, whether owned or licensed, and all benefits, options and rights to use any of the foregoing, including all License Agreements, securities, instruments and, when the context permits, all registrations and applications that have been made or shall be made or filed in any office in any jurisdiction in respect of the foregoing, and all reissues, extensions and renewals thereof.

**“Inventory”** has the meaning assigned in Section 1.1(1)(b) of this Security Agreement.

**“Licence Agreements”** means User Licences or Grantor Licences, or both, as the context requires.

**“Lien”** means any mortgage, lien, deed of trust, charge, pledge, security interest, hypothec, or other encumbrance.

**“Loan Agreement”** means the loan agreement made as of the date hereof between the Bank, the Debtor, and the Guarantor, as amended, varied, supplemented, restated, renewed or replaced from time to time.

**“Loan Documents”** has the meaning assigned in the Loan Agreement.

**“Object Code”** means fully compiled or assembled Software in binary form which may be used directly by information processing equipment to process information.

**“Obligations”** means all present and future indebtedness, liabilities and obligations of the Debtor of any and every kind, nature or description whatsoever (whether direct or indirect, joint or several or joint and several, absolute or contingent, matured or unmatured, in any currency, whether as principal debtor, guarantor, surety or otherwise,

including without limitation any interest that accrues thereon but for the commencement of any case, proceeding or other action, whether voluntary or involuntary, relating to the bankruptcy, insolvency or reorganization of the Debtor, whether or not allowed or allowable as a claim in any such case, proceeding or action) to the Bank under, in connection with, relating to or with respect to any of the Loan Documents, and any unpaid balance thereof.

**“Patents”** means all patents, patent applications and intellectual or industrial property underlying such patents or patent applications, including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations in part of the same.

**“Permitted Liens”** has the meaning assigned to such term in the Loan Agreement.

**“Person”** means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate or governmental agency.

**“Real Property”** has the meaning assigned in Section 1.1(2) of this Security Agreement.

**“Receiver”** has the meaning assigned in Section 12.1(a) of this Security Agreement.

**“Restricted Assets”** has the meaning assigned in Section 1.4 of this Security Agreement.

**“Security Agreement”** means this agreement, including the Schedules hereto, as amended, varied, supplemented, restated, renewed or replaced from time to time.

**“Security Interests”** has the meaning assigned in Section 1.2 of this Security Agreement.

**“Software”** means all computer programs, firmware and databases and portions of each of the foregoing in whatever form and on whatever medium expressed, fixed, embodied or stored from time to time, whether physical, magnetic, electronic, optical or otherwise and the Copyright, Patents and trade secrets therein including, without limitation, Object Code and Source Code versions of each such program and firmware and portion thereof and all corrections, updates, enhancements, translations, modifications, adaptations and new versions thereof together with both the media upon or in which such programs, firmware, databases and portions thereof are expressed, fixed, embodied or stored (such as disks, diskettes, tapes and semiconductor chips) and all flow charts, manuals, instructions, documentation and other material relating thereto.

**“Software Documentation”** means all documentation and other materials in any way related to Software including, without limitation, copies of the Source Code or Object Code, drawings, flowcharts, user’s manuals, reference manuals and all functional descriptions and specifications of or relating to the Software regardless of the medium in or on which such information is stored including, without limitation, all such information

necessary or desirable for the production, modification, enhancement, testing, marketing and use of the Software.

“**Source Code**” means Software created or stored in a computer programming or instructional language, including without limitation, computer programming or instructional language commonly used for the creation or storage of Software such as, without limitation, Pascal, Fortran, Basic and C.

“**the Act**” means the *Personal Property Security Act* (Ontario) and all regulations thereunder, as amended from time to time.

“**Trademarks**” means all trademarks and trade names, registered and unregistered, including, without limitation:

- (b) all designs, logos, indicia, trade names, corporate names, company names, business names, trade styles, service marks, logos and other source or business identifiers;
- (c) all fictitious characters;
- (d) all prints and labels on which any of the foregoing have appeared or appear or shall appear;
- (e) all registrations and applications that have been or shall be made or filed in the Canadian Intellectual Property Office or United States Patent and Trademark Office or any similar office in any other country or political subdivision thereof and all records thereof and all reissues, extensions, or renewals thereof;
- (f) all goodwill associated with or symbolized by any of the foregoing; and
- (g) all common law and other rights in the above.

“**User Licences**” means all agreements pursuant to which the Debtor has obtained rights or an option to acquire rights to use any Intellectual Property.

**28.2** Words and expressions used herein that have been defined in the Act shall be interpreted in accordance with their respective meanings given in the Act unless otherwise defined herein or unless the context otherwise requires.

**28.3** The invalidity or unenforceability of the whole or any part of any clause of this Security Agreement shall not affect the validity or enforceability of any other clause or the remainder of such clause.

**28.4** The headings of the clauses of this Security Agreement have been inserted for reference only and do not define, limit, alter or enlarge the meaning of any provision of this Security Agreement.

**28.5** This Security Agreement shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein, provided however that Section 1.2, as well as the enforcement of and the recourses related to the hypothec created therein, shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

**SECTION 29 - COPY OF AGREEMENT AND FINANCING STATEMENT**

**29.1** The Debtor hereby:

- (a) acknowledges receiving a copy of this Security Agreement; and
- (b) waives all rights to receive from the Bank a copy of any financing statement or financing change statement filed, or any verification statement received, at any time in respect of this Security Agreement.

**[SIGNATURE PAGE FOLLOWS]**

IN WITNESS WHEREOF the Debtor has executed this Security Agreement as of the date first set out above.

**ESPIAL GROUP INC.**

By: *Jason Dolvane*  
Name: JASON DOLVANE  
Title: CEO

**Schedule A**

1. Locations of Debtor's Chief Executive Office, Corporate Office, Domicile (i.e. Head Office), Principal Place of Business and Business Operations  
  
200 Elgin Street, Suite 807, Ottawa, Ontario, K2P 1L5
  
2. Locations of Books and Records relating to Collateral and Account Debtors (if different from 1 above)
  
3. All Warehouses and Premises Where Collateral is Stored or Located (if different from 1 above)

**Schedule B****INTELLECTUAL PROPERTY****CANADIAN INTELLECTUAL PROPERTY**Copyrights

None.

Patents

None.

Trade-Marks

<b>Trade-mark</b>	<b>Application/ Registration No.</b>	<b>Owner</b>
TVML	1319975	Espial Group Inc.
FPF	1319974	Espial Group Inc.
SKIN TONES	1316542	Espial Group Inc.
ESPIAL ENGAGE	TMA676284	Espial Group Inc.
BEYOND BRANDABLE	1263697	Espial Group Inc.
EVO	TMA671239	Espial Group Inc.
ESPIAL Design	TMA596892	Espial Group Inc.
ESPIAL	TMA596866	Espial Group Inc.
DEVICETOP	TMA541694	Espial Group Inc.
FUTURE-PROOF FRAMEWORK	1332061	Espial Group Inc.



**UNITED STATES INTELLECTUAL PROPERTY**Copyrights

None.

Patents

Title	App. No.	Reg. No.	Filing Date	Date Granted	Owner
Method and apparatus for operating a virtual keyboard	09/440174	6,677,933	11/15/99	1/13/04	Espial Group Inc.
Method and apparatus for running multiple java applications simultaneously	09/440175	6,513,158	11/15/99	1/28/03	Espial Group Inc.
Electronic content processing systems and methods	10/784280	n/a	2/24/04	n/a	Espial Group Inc.
Method for interactive internet protocol	11/419666	n/a	05/22/06	Pending - awaiting examination for patentability	Espial Group Inc.
Electronic content processing systems and methods	10/784280	n/a	02/24/04	Pending - awaiting examination for patentability	Espial Group Inc.

Trade-Marks

Mark	App. No.	Reg. No.	Filing Date	Reg. Date	Owner
ESPIAL ENGAGE	78/882905	n/a	5/12/06	n/a	Espial Group Inc. *
BEYOND BRANDABLE	78/784258	n/a	1/3/06	n/a	Espial Group Inc.
EVO	78/784269	n/a	1/3/06	n/a	Espial Group Inc.
DEVICETOP	76/167053	2,606,873	11/9/00	8/13/02	Espial Group Inc.
ESPIAL (and Design)	76/161452	2,665,358	11/8/00	12/24/02	Espial Group Inc.
ESPIAL EBOX	75/879968	2,616,322	12/27/99	9/10/02	Espial Group Inc.
ESPIAL	75/730711	2,353,658	6/17/99	5/30/00	Espial Group Inc.
ESPIAL	75/671694	2,345,189	3/30/99	4/25/00	Espial Group Inc.
DEVICETOP	75/575755	2,576,428	10/22/98	6/4/02	Espial Group Inc.
TVML	n/a	n/a	n/a	n/a	Espial Group Inc.
FPF	n/a	n/a	n/a	n/a	Espial Group Inc.

**INTERNATIONAL INTELLECTUAL PROPERTY**Copyrights

None.

Patents

<b>Title</b>	<b>Application No.</b>	<b>Jurisdiction</b>	<b>Status</b>
Electronic content processing systems and methods	PCT/CA2005/000244	PCT (International)	Concluded (National Phase applications filed in Japan and the European Patent Office)
Electronic content processing systems and methods	05714486.7	European Pat. Office	Pending (awaiting Examination for patentability)
Electronic content processing systems and methods	2006-553405	Japan	Pending, Examination not yet requested

Trade-Marks

None.