

Form PTO-1595 (Rev. 08/05)  
OMB No. 0651-0027 (exp. 6/30/2008)U.S. DEPARTMENT OF COMMERCE  
United States Patent and Trademark Office

## RECORDATION FORM COVER SHEET PATENTS ONLY

To the Director of the U.S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

**1. Name of conveying party(ies)**Donald Gauvin  
(Lameque, n. B., CA)Additional name(s) of conveying party(ies) attached?  Yes  No**2. Name and address of receiving party(ies)**Name: ALTERINVEST FUND II L.P., AS  
Internal Address: - represented by the BusinessDevelopment Bank of Canada, its General  
PartnerStreet Address: 1134 Grande-Allée ouest,  
Rez-de-Chaussée

City: Québec

State: Québec

Country: Canada Zip: G1S 1E5

Additional name(s) & address(es) attached?  Yes  No**3. Nature of conveyance/Execution Date(s):**

Execution Date(s) November 19, 2007

- Assignment  Merger  
 Security Agreement  Change of Name  
 Joint Research Agreement  
 Government Interest Assignment  
 Executive Order 9424, Confirmatory License  
 Other

**4. Application or patent number(s):** This document is being filed together with a new application.

A. Patent Application No.(s)

08/523,557

B. Patent No.(s)

5,632,350

Additional numbers attached?  Yes  No**5. Name and address to whom correspondence concerning document should be mailed:**

Name: Étienne Drouin, Manager

Internal Address: Subordinate Financing  
ALTERINVEST FUND II, L.P.represented by the Business Development  
Bank of Canada, its general partner

Street Address: 1134 Grande-Allée ouest, Rez-de-Chaussée

City: Québec

State: Québec Zip: G1S 1E5

Phone Number: (418) 640-2988

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Email Address: etienne.drouin@bdc.ca

**6. Total number of applications and patents involved:**

one (1)

**7. Total fee (37 CFR 1.21(h) & 3.41) \$ 40.00**

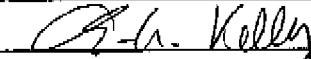
- Authorized to be charged by credit card  
 Authorized to be charged to deposit account  
 Enclosed  
 None required (government interest not affecting title)

**8. Payment Information**a. Credit Card Last 4 Numbers \_\_\_\_\_  
Expiration Date \_\_\_\_\_

b. Deposit Account Number \_\_\_\_\_

Authorized User Name \_\_\_\_\_

**9. Signature:**

  
 Elizabeth A. Kelly  
 Signature

May 16, 2008  
 Date

Name of Person Signing

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

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to:  
 Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, V.A. 22313-1450

**Business Development Bank of Canada  
Banque de développement du Canada**

# BDC

## GENERAL SECURITY AGREEMENT

Loans 046085-01 & 046085-02

THIS AGREEMENT dated this 19 day of November 2007.

**BETWEEN:**

**DONALD GAUVIN**, of 123 Rue des Champs, Lamèque, New Brunswick, E8T 1G1,

(the "Guarantor")

**AND:**

**ALTERINVEST FUND II L.P.**, represented by **Business Development Bank of Canada**, its general partner, with a branch office at 1134, Grande-Allée ouest, Rez-de-Chaussée, Québec, Québec G1S 1E5

(the "Bank").

WHEREAS the Bank has advanced certain loan proceeds designated as loans no. 046085-01 and 046085-02 respectively, (collectively, the "Loan"), to Lamtrac International Inc. ("Lamtrac International") and 614765 N-B Inc. ("765", and collectively with Lamtrac International, the "Borrowers"), pursuant to a loan agreement of even date herewith (the "Loan Agreement") to which the Guarantor is a party;

AND WHEREAS it is a condition of the Loan Agreement that the Loan be supported by a personal guarantee (the "Guarantee") of Donald Gauvin, principal of each Borrower, (hereinafter the "Guarantor");

AND WHEREAS it is a condition of the Loan Agreement that the Guarantor indemnify the Bank in the event of any assertion of rights by La Caisse Populaire de Shippigan Limitée, ("Caisse Populaire"), pursuant to a settlement agreement entered into by and amongst the Caisse Populaire, the Borrowers, the Guarantor and others, whereby such indemnity obligations are as set forth in an indemnity agreement in favour of the Bank, the ("Indemnity Agreement");

AND WHEREAS the Guarantor is the owner of certain intellectual property that is the subject of a license between the Guarantor and Lamtrac International, (the "License"), which intellectual property is more fully described in Schedule A attached hereto; (the "Licensed Intellectual Property");

AND WHEREAS it is also a condition of the Loan Agreement that the Guarantee and the Indemnity Agreement are supported by a general security agreement in favour of the Bank whereby the Guarantor provides a security interest in the Licensed Intellectual Property in favour of the Bank;

NOW THEREFORE, in consideration of the obligations as set forth within the Loan Agreement, Guarantee and Indemnity Agreement, the Guarantor hereby agrees as follows:

**1. SECURITY INTEREST**

(You, as the Guarantor, will grant to the Bank a charge, referred to as a security interest, over all personal property now held or in the future held or acquired by you. You will also grant a charge, referred to as a floating charge, over your complete undertaking. These charges are the security the Bank will hold in consideration of lending you funds or providing the credit facility to you.)

1.1 For consideration the Guarantor hereby:



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(a) mortgages and charges as a fixed and specific charge, and assigns and transfers to the Bank, and grants to the Bank a general and continuing security interest in the Guarantor's present and after acquired personal property limited to:

(i) all patents, trade-marks, copyrights, industrial designs, plant breeder's rights, integrated circuit topographies, trade-names, goodwill, confidential information, trade secrets and know-how, including without limitation, environmental technology and bio-technology, software and any registrations and applications for registration of the foregoing and all other intellectual and industrial property of the Guarantor, including that which is described in Schedule "A" attached to this Agreement, and all additions thereto and replacements thereof, (all of which is collectively called the "Intellectual Property"); and,

(ii) all proceeds of every nature and kind arising from the personal property referred to in this Security Agreement;

1.2 The security interests, mortgages, transfers, assignments, charges, grants and conveyances created pursuant to Clause 1.1 shall be collectively called the "**Security Interests**", and the property subject to the Security Interests and all property, assets and undertaking charged, assigned or transferred or secured by any instruments supplemental to or in implementation of this Security Agreement are collectively called the "**Collateral**".

1.3 The schedules, including definitions, form part of this Security Agreement.

## 2. EXCEPTIONS

(With few exceptions, all of your personal property is subject to the security interests and charges described in Clause 1.1. Only the last day of any lease term and possibly your consumer goods are excepted. Corporations do not hold consumer goods.)

2.1 The last day of the term created by any lease or agreement is excepted out of any charge or the Security Interests but the Guarantor shall stand possessed of the reversion and shall remain upon trust to assign and dispose of it to any third party as the Bank shall direct.

2.2 All the Guarantor's consumer goods are excepted out of the Security Interests.

## 3. ATTACHMENT

(Value or consideration has flowed between you and the Bank and the Security Interests in your personal property are complete once you sign this Security Agreement.)

The Guarantor agrees that the Security Interests attach upon the signing of this Security Agreement (or in the case of after acquired property, upon the date of acquisition), that value has been given, and that the Guarantor has (or in the case of after acquired property, will have upon the date of acquisition) rights in the Collateral and the Guarantor confirms that there has been no agreement between the Guarantor and the Bank to postpone the time for attachment of the Security Interests and that it is the Guarantor's understanding that the Bank intends the Security Interests to attach at the same time.

## 4. PURCHASE MONEY SECURITY INTEREST

(To the extent that the Bank helps you acquire an interest in any personal property, you grant a special security interest to the Bank over that personal property. The special security interest is known as a "Purchase Money Security Interest".)

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## 5. OBLIGATIONS SECURED

(The Security Interests and charges you have granted to the Bank secure all indebtedness and all obligations to the Bank.)

This Security Agreement is in addition to and not in substitution for any other security interest or charge now or in the future held by the Bank from the Guarantor or from any other person and shall be general and continuing security for the payment and performance of all indebtedness, liabilities and obligations of the Guarantor to the Bank (including interest thereon), whether incurred prior to, at the time of or after the signing of this Security Agreement including extensions and renewals, and all other liabilities of the Guarantor to the Bank, present and future, absolute

or contingent, joint or several, direct or indirect, matured or not, extended or renewed, wherever and however incurred and for the performance of all obligations of the Guarantor to the Bank under the Guarantee, the Loan Agreement, and the Indemnity Agreement, whether or not contained in this Security Agreement (all of which indebtedness, liabilities and obligations are collectively called the "Obligations").

## 6. REPRESENTATIONS AND WARRANTIES

(You state that you are able to legally grant this Security Agreement to the Bank, it will be binding and the Collateral is not subject to any encumbrances that have not been approved by the Bank. You own the Collateral and nothing prevents you from granting the Security interests and charges in favour of the Bank. The Bank will rely on all of the following representations and warranties.)

6.1 The Guarantor represents and warrants to the Bank that:

- (a) if a corporation, it is a corporation incorporated and organised and validly existing and in good standing under the laws of the jurisdiction of its incorporation; it has the corporate power to own or lease its property and to carry on the business conducted by it; it is qualified as a corporation to carry on the business conducted by it and to own or lease its property and is in good standing under the laws of each jurisdiction in which the nature of its business or the property owned or leased by it makes such qualification necessary; and the execution, delivery and performance of this Security Agreement are within its corporate powers, have been authorised and do not contravene, violate or conflict with any law or the terms and provisions of its constating documents or its by-laws or any shareholders agreement or any other agreement, indenture or undertaking to which the Guarantor is a party or by which it is bound;
- (b) if it is a corporation, its name as set forth on page 1 of this Security Agreement is its full, true and correct name as stated in its constating documents and if such name is in English, it does not have or use a French language form of its name or a combined English language and French language form of its name and vice versa, and the Guarantor has provided a written memorandum to the Bank accurately setting forth all prior names under which the Guarantor has operated;
- (c) if it is a partnership, its name as set forth on page 1 is its full, true and correct, and where required or voluntarily registered its registered, name; it is a partnership validly created and organised and validly existing under the laws of the jurisdiction of its creation; it has the power to carry on the business conducted by it and is in good standing under the laws of each jurisdiction in which the nature of its business makes such qualification necessary; and the execution, delivery and performance of this Agreement are within its powers, have been authorised, and do not contravene, violate or conflict with any law or the terms of its partnership agreement or any other agreement, indenture or undertaking to which the Guarantor is a party or by which it is bound, and a complete list of the names, addresses and (if individuals) the dates of birth of the partners of the partnership are set forth on a Schedule attached to this Security Agreement;
- (d) if the Guarantor is an individual, that individual's full name and address provided to the Bank are the individual's full and correct name and address and the individual's date of birth as described on the individual's birth certificate a true copy of which has been provided to the Bank or, if no birth certificate issued from any jurisdiction in Canada exists, as described on the documents provided to the Bank is the individual's correct birth date;
- (e) there is no litigation or governmental proceedings commenced or pending against or affecting the Collateral or the Guarantor, in which a decision adverse to the Guarantor would constitute or result in a material adverse change in the business, operations, properties or assets or in the condition, financial or otherwise, of the Guarantor; and the Guarantor agrees to promptly notify the Bank of any such future litigation or governmental proceeding;
- (f) it does not have any information or knowledge of any facts relating to its business, operations, property or assets or to its condition, financial or otherwise, which it has not disclosed to the Bank in writing and which, if known to the Bank, might reasonably be expected to deter the Bank from extending credit or advancing funds to the Guarantor;

- (g) it has good title and lawfully owns and possesses all presently held Collateral, free from all security interests, charges, encumbrances, liens and claims, save only the Security Interests and the charges or security interests consented to in writing by the Bank, and it has not granted any licenses in or of its Intellectual Property other than as disclosed and consented to by the Bank;
- (h) to the extent that any of the Collateral includes serial numbered goods and motor vehicles which require serial number registration by virtue of the Act and its regulations including motor vehicles, trailers, manufactured homes, mobile homes, boats, outboard motors for boats or aircraft, the Guarantor has given the full and correct serial numbers and any Ministry of Transport designation marks or other relevant licensing authority marks of all such Collateral to the Bank;
- (i) the Collateral is and/or will be located at the place(s) described in Schedule "A" and will not be removed from such location(s) without the prior written consent of the Bank;
- (j) this Security Agreement is granted in accordance with resolutions of the directors (and of the shareholders as applicable) of the Guarantor, if the Guarantor is a corporation, or, if the Guarantor is a partnership, of the partners of the Guarantor, and all other requirements have been fulfilled to authorise and make the execution and delivery of this Security Agreement, and the performance of the Guarantor's obligations valid and there is no restriction contained in the constituting documents of the Guarantor or in any shareholders agreement or partnership agreement which restricts the powers of the authorised signatories of the Guarantor to borrow money or give security; and
- (k) the Guarantor's place(s) of business and chief executive office have been correctly provided to the Bank.

## 7. COVENANTS OF THE GUARANTOR

(The Security Interests and the Collateral must be protected while the Security Agreement remains in effect. These covenants are your promises to the Bank describing how the Bank's Security Interests will be attended to. You will also covenant to maintain accurate books and records and allow the Bank's inspection. Your promises are found in the Security Agreement and Schedules.)

7.1 will: The Guarantor covenants with the Bank that while this Security Agreement remains in effect the Guarantor

- (a) promptly pay and satisfy the Obligations as they become due or are demanded;
- (b) defend the title to the Collateral for the Bank's benefit, against the claims and demands of all persons;
- (c) fully and effectually maintain and ensure that the Security Interests are and continue to be valid and effective;
- (d) maintain the Collateral in good condition and repair and provide adequate storage facilities to protect the Collateral and not permit the value of the Collateral to be impaired;
- (e) observe and conform to all valid requirements of any governmental authority relative to any of the Collateral and all covenants, terms and conditions upon or under which the Collateral is held;
- (f) forthwith pay and satisfy:
  - (i) all taxes, assessments, rates, duties, levies, government fees, claims and dues lawfully levied, assessed or imposed upon it or the Collateral when due, unless the Guarantor shall in good faith contest its obligations so to pay and shall furnish to the Bank such security as the Bank may require;
  - (ii) all security interests, charges, encumbrances, liens and claims which rank or could rank in priority to, or on an equal basis with, any of the Security Interests; and
  - (iii) all fees from time to time chargeable by the Bank arising out of any term of the commitment letter between the Bank and the Guarantor including, without limitation, inspection,

administration and returned cheque handling fees;

- (g) forthwith pay and satisfy all costs, charges, expenses and legal fees and disbursements (on a solicitor and its own client basis) which may be incurred by the Bank in connection with enforcing its rights under the Guarantee, Loan Agreement, or the Indemnity Agreement, including for:
- (i) inspecting the Collateral;
  - (ii) negotiating, preparing, perfecting, registering or renewing the registration of this Security Agreement and the Security Interests, any Financing or Financing Change Statement, any modification or amending agreement and other documents relating to the Guarantor's obligations, whether or not relating to this Security Agreement;
  - (iii) complying with any disclosure requirements under the Act;
  - (iv) investigating title to the Collateral;
  - (v) taking, recovering, keeping possession and disposing of the Collateral;
  - (vi) maintaining the Collateral in good repair, storing the Collateral and preparing the Collateral for disposition;
  - (vii) any inspection, appraisal, investigation or environmental audit of the Collateral and the cost of any environmental rehabilitation, treatment, removal or repair necessary to protect, preserve or remedy the Collateral including any fine or penalty the Bank becomes obligated to pay by reason of any statute, order or direction of competent authority;
  - (viii) all other actions and proceedings taken to preserve the Collateral, enforce this Security Agreement and of any other security interest held by the Bank as security for the Obligations, protect the Bank from liability in connection with the Security Interests or assist the Bank in its loan and credit granting or realization of the Security Interest, including any actions under the Bankruptcy and Insolvency Act (Canada) and all remuneration of any Receiver (as defined in Article 15 hereof) or appointed pursuant to the Bankruptcy and Insolvency Act (Canada);
  - (ix) any sums the Bank pays as fines, or as clean up costs because of contamination of or from your assets. Further, you will indemnify the Bank and its employees and agents from any liability or costs incurred including legal defense costs. Your obligation under this paragraph continues even after the Obligations are repaid and this agreement is terminated.
- (h) at the Bank's request, execute and deliver further documents and instruments and do all acts as the Bank in its absolute discretion requires to confirm, register and perfect, and maintain the registration and perfection of, the Security Interests;
- (i) notify the Bank promptly of:
- (i) any change in the information contained in this Security Agreement relating to the Guarantor, its business or the Collateral, including, without limitation, any change of name or address (including any change of trade name, proprietor or partner) 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 the Collateral, or any lapse of registrations associated with the Intellectual Property Rights;
  - (iv) any claims against the Guarantor including claims in respect of the Intellectual Property or of any actions taken by the Guarantor to defend the registration of or the validity of or any infringement of the Intellectual Property;

- (vi) the return to or repossession by the Guarantor of Collateral that was disposed of by the Guarantor; and
- (vii) all additional places of business and any changes in its place(s) of business or chief executive office;
- (j) prevent the Collateral from being or becoming an accession to property not covered by this Security Agreement;
- (k) carry on and conduct its business and undertaking in a proper and businesslike manner so as to preserve and protect the Collateral and the earnings, income, rents, issues and profits of the Collateral, including maintenance of proper and accurate books of account and records;
- (l) permit the Bank and its representatives, at all reasonable times, access to the Collateral including all of the Guarantor's property, assets and undertakings and to all its books of account and records for the purpose of inspection and the taking of extracts and copies, whether at the Guarantor's premises or otherwise, and the Guarantor will render all assistance necessary;
- (m) observe and perform all the Guarantor's obligations under:
  - (i) leases, licences, undertakings, and any other agreements to which the Guarantor is a party;
  - (ii) any statute or regulation, federal, provincial, territorial, or municipal, to which the Guarantor is subject;
- (n) 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 the Collateral;
  - (ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to the Collateral to allow the Bank to inspect, audit or copy them;
  - (iii) all financial statements prepared by or for the Guarantor regarding the Guarantor's business;
  - (iv) such information concerning the Collateral, the Guarantor and the Guarantor's business and affairs as the Bank may reasonably require;
- (o) with respect to the Intellectual Property, take all necessary steps and initiate all necessary proceedings, to maintain the registration or recording of the Intellectual Property, to defend the Intellectual Property from infringement and to prevent any licensed or permitted user from doing anything that may invalidate or otherwise impair the Intellectual Property;
- (p) with respect to copyright forming part of the Intellectual Property, provide to the Bank waivers of the moral rights thereto executed by all contributors or authors of the copyrighted work;
- (q) receive and hold in trust on behalf of and for the benefit of the Bank all proceeds from the sale or other disposition of any Collateral;
- (r) consent to the Bank contacting and making enquiries of the Guarantor's lessors, as well as municipal or other government officials or assessors; and
- (s) observe and perform the additional covenants and agreements set out in any schedules to this Security Agreement.

7.2 Any amounts required to be paid to the Bank by the Guarantor under this Clause 7 shall be immediately  
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payable with interest at the highest rate borne by any of the Obligations until all amounts have been paid.

7.3 This Security Agreement shall remain in effect until it has been terminated by the Bank by notice of termination to the Guarantor and all registrations relating to the Security Agreement have been discharged.

## 8. INSURANCE

(It is your obligation to thoroughly insure the Collateral in order to protect your interests and those of the Bank. You will follow the specific requirements of the insurance coverage described in this Clause.)

8.1 The Guarantor covenants that while this Security Agreement is in effect the Guarantor shall, if so expressly directed by the Bank in writing subsequent to the execution of this Security Agreement, and until such time as the Guarantor is so directed in writing, this Article 8 shall not apply to the Guarantor:

- (a) maintain or cause to be maintained insurance on the Collateral, (to the extent as may be required by the Bank), with a reputable insurer, of kinds, for amounts and payable to such person or persons, all as the Bank may require, and in particular maintain insurance on the Collateral to its full insurable value against loss or damage by fire and all other risks of damage, including an extended coverage endorsement and in the case of motor vehicles, insurance against theft;
- (b) cause the insurance policy or policies required by this Security Agreement to be assigned to the Bank, including a standard mortgage clause or a mortgage endorsement, as the Bank may require;
- (c) pay all premiums respecting such insurance, and deliver all policies to the Bank, if it so requires.

8.2 If proceeds of any required insurance becomes payable, the Bank may, in its absolute discretion, apply these proceeds to the Obligations as the Bank sees fit or release any insurance proceeds to the Guarantor to repair, replace or rebuild, but any release of insurance proceeds to the Guarantor shall not operate as a payment on account of the Obligations or in any way affect this Security Agreement or the Security Interests.

8.3 The Guarantor will forthwith, on the happening of loss or damage to the Collateral, notify the Bank and furnish to the Bank at the Guarantor's expense any necessary proof and do any necessary act to enable the Bank to obtain payment of the insurance proceeds, but nothing shall limit the Bank's right to submit to the insurer a proof of loss on its own behalf.

8.4 The Guarantor hereby authorizes and directs the insurer under any required policy of insurance to include the name of the Bank as loss payee on any policy of insurance and on any cheque or draft which may be issued respecting a claim settlement under and by virtue of such insurance, and the production by the Bank to any insurer of a notarial or certified copy of this Security Agreement (notarized or certified by a notary public or solicitor) shall be the insurer's complete authority for so doing.

8.5 If the Guarantor fails to maintain insurance as required, the Bank may, but shall not be obliged to, maintain or effect such insurance coverage, or so much insurance coverage as the Bank may wish to maintain.

## 9. OTHER PROHIBITIONS

(You agree to not encumber your property so as to interfere with the security interests or charges granted to the Bank and you will not dispose of any of the Collateral except inventory disposed of in the ordinary course of your business.)

Without the prior written consent of the Bank the Guarantor will not:

- (a) create or permit to exist any security interest in, charge, encumbrance or lien over, or claim against the Collateral which ranks or could in any event rank in priority to or on an equal basis with any of the Security Interests created by this Security Agreement; or,
- (b) grant, sell, or otherwise assign the Collateral except only pursuant to the License, and such License shall not be amended without the prior written consent of the Bank.



**10. RESTRICTIONS ON SALE OR DISPOSAL OF COLLATERAL**

(You will preserve and protect all of the Collateral and not dispose of it without the consent of the Bank. Any sales or other disposition will result in you holding the proceeds in trust for the Bank. Your responsibilities towards the Collateral and any trust proceeds are important to the Bank.)

10.1 Except as provided by this Security Agreement, without the Bank's prior written consent the Guarantor will not:

- (a) sell, lease, license 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 have been perfected.

10.2 intentionally left blank.

10.3 Any disposition of any Collateral shall result in the Guarantor holding the proceeds in trust for and on behalf of the Bank and subject to the Bank's exclusive direction and control. Nothing restricts the Bank's rights to attach, seize or otherwise enforce its Security Interests in any Collateral sold or disposed, unless it is sold or disposed with the Bank's prior written consent.

**11. PERFORMANCE OF OBLIGATIONS**

(If you do not strictly do all those things that you have agreed to do in this Security Agreement, the Bank may perform those obligations but you will be required to pay for them.)

If the Guarantor fails to perform his covenants and agreements under this Security Agreement, the Bank may, but shall not be obliged to, perform any or all of such covenants and agreements without prejudice to any other rights and remedies of the Bank, and any payments made and any costs, charges, expenses and legal fees and disbursements (on a solicitor and its own client basis) incurred by the Bank shall be immediately payable by the Guarantor to the Bank with interest at the highest rate borne by any of the Obligations and shall be secured by the Security Interests, until all such amounts have been paid.

**12. ACCOUNTS**

(Any dealing with the Collateral that results in an account being created, or proceeds arising, is of particular importance to the Bank. The account, or proceeds, acts in substitution for the Collateral that has been sold, usually inventory. You will protect the account or proceeds in favour of the Bank.)

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**13. APPROPRIATION OF PAYMENTS**

(The Bank has the right to determine how funds it receives will be applied in relation to your loan facility.)

Any and all payments made respecting the Obligations and monies realized from any Security Interests (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 sees fit, and the Bank may at any time change any appropriation as the Bank sees fit.

**14. DEFAULT**

(You must comply with the payment and other obligations that you have made in favour of the Bank. You must also strictly satisfy the covenants and agreements that you have made in this Security Agreement. Failure to do so will be considered a default and the Bank will consider its legal remedies and possibly pursue them. This Clause defines the defaults and outlines your obligations.)

14.1 Unless waived by the Bank, the Guarantor shall be in default under this Security Agreement and shall be deemed to be in default under all other agreements between the Guarantor and the Bank in any of the following events:

- (a) the Guarantor defaults, or threatens to default, under any Obligation, including payments when due of

any of the Obligations; or

- (b) the Guarantor is in breach of, or threatens to breach, any term, condition, obligation or covenant made by it to or with the Bank, or any representation or warranty of the Guarantor to the Bank is untrue or ceases to be accurate, whether or not contained in this Security Agreement; or
- (c) the Guarantor or the Borrower declares itself to be insolvent or admits in writing its inability to pay its debts generally as they become due, or makes an assignment for the benefit of its creditors, is declared bankrupt, makes a proposal or otherwise takes advantage of any provisions for relief under the Bankruptcy and Insolvency Act (Canada), the Companies Creditors' Arrangement Act (Canada) or similar legislation in any jurisdiction, or makes an authorized assignment; or
- (d) a receiver, manager, receiver and manager or receiver-manager of all or a part of the Collateral is appointed; or
- (e) an order is made or a resolution is passed for the winding up of the Guarantor or the Borrower; or
- (f) the Guarantor or the Borrower ceases or threatens to cease to carry on all or a substantial part of its business or makes or threatens to make a sale of all or substantially all of its assets; or
- (g) distress or execution is levied or issued against all or any part of the Collateral; or
- (h) if the Guarantor is a corporation and any member or shareholder:
  - (i) commences an action against the Guarantor; or
  - (ii) gives a notice of dissent to the Guarantor in accordance with the provisions of any governing legislation; or
- (i) if the Guarantor is a corporation and its voting control changes without the Bank's prior written consent; or
- (j) the Guarantor uses any monies advanced to it by the Bank for any purpose other than as agreed upon by the Bank; or
- (k) without the Bank's prior written consent, the Guarantor creates or permits to exist any security interest, charge, encumbrance, lien or claim against any of the Collateral which ranks or could in any event rank in priority to or on an equal basis with any of the Security Interests; or
- (l) the holder of any other security interest, charge, encumbrance, lien or claim against any of the Collateral does anything to enforce or realize on such security interest, charge, encumbrance, lien or claim; or
- (m) the Guarantor enters into an amalgamation, a merger or other similar arrangement with any other person without the Bank's prior written consent or, if the Guarantor is a corporation, it is continued or registered in a different jurisdiction without the Bank's prior written consent; or
- (n) the Bank in good faith and on commercially reasonable grounds believes that the prospect of payment or performance of any of the Obligations is impaired or that any of the Collateral is or is about to be placed in jeopardy or removed from the jurisdiction in which this Security Agreement has been registered; or
- (o) the lessor under any lease to the Guarantor of any real or personal property takes any steps to or threatens to terminate such lease or otherwise exercise any of its remedies under such lease as a result of any default by the Guarantor; or
- (p) the Guarantor causes or allows hazardous materials to be brought upon any lands or premises occupied by the Guarantor or to be incorporated into any of its assets, or the Guarantor causes,

permits, or fails to remedy any environmental contamination upon, in or under any of its lands or assets, or fails to comply with any abatement or remediation order given by a responsible authority; or

- (q) any permit, license, certification, quota or order granted to or held by the Guarantor is cancelled, revoked or reduced, as the case may be, or any order against the Guarantor is enforced, preventing the business of the Guarantor from being carried on for more than 5 days or materially adversely changing the condition (financial or otherwise) of the Guarantor's business; or
- (r) if an individual, the Guarantor dies or is declared incompetent by a court of competent jurisdiction.

## 15. ENFORCEMENT

(If a default occurs, the Bank has numerous remedies and legal rights, including enforcement of the Security Agreement according to this Clause. You also have rights, provided by the *Personal Property Security Act* and the common law in your jurisdiction.)

15.1 Upon any default under this Security Agreement the Bank may declare any or all of the Obligations whether or not payable on demand to become immediately due and payable and the Security Interests will immediately become enforceable. To enforce and realize on the Security Interests the Bank may take any action permitted by law or in equity as it may deem expedient and in particular, without limitation, the Bank may do any of the following:

- (a) appoint by instrument a receiver, manager, receiver and manager or receiver-manager (the "Receiver") of all or any part of the Collateral, with or without bond as the Bank may determine, and in its absolute discretion remove such Receiver and appoint another in its stead;
- (b) enter upon any of the Guarantor's premises at any time and take possession of the Collateral with power to exclude the Guarantor, its agents and its servants, without becoming liable as a mortgagee in possession;
- (c) preserve, protect and maintain the Collateral and make such replacements and repairs and additions to the Collateral as the Bank deems advisable;
- (d) dispose of all or 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 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 Guarantor will not be entitled to be credited with the proceeds of any such sale, lease or other disposition until the monies are actually received;
- (e) register assignments of the Intellectual Property, and use, sell, assign, license or sub-license any of the Intellectual Property; and
- (f) exercise all of the rights and remedies of a secured party under the Act and any other applicable laws.

15.2 A Receiver appointed pursuant to this Security Agreement insofar as responsibility for its actions is concerned shall be the agent of the Guarantor 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 under this Security Agreement, and in addition shall have power to:

- (a) carry on the Guarantor's business and for such purpose from time to time to borrow money either secured or unsecured, and if secured by granting a security interest on the Collateral, such security interest may rank before or on an equal basis with or behind any of the Security Interests and if it does not so specify such security interest shall rank in priority to the Security Interests; and
- (b) make an assignment for the benefit of the Guarantor's creditors or a proposal on behalf of the Guarantor under the *Bankruptcy and Insolvency Act* (Canada); and
- (c) commence, continue or defend proceedings in the name of the Receiver or in the name of the Guarantor for the purpose of protecting, seizing, collecting, realizing or obtaining possession of or payment for the Collateral; and

- (d) make any arrangement or compromise that the Receiver deems expedient.

15.3 Subject to the claims, if any, of the creditors of the Guarantor ranking in priority to this Security Agreement, all amounts realized from the disposition of the Collateral pursuant to this Security Agreement will be applied as the Bank, in its absolute discretion and to the full extent permitted by law, may direct as follows:

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

#### 16. GENERAL PROVISIONS PROTECTING THE BANK

(You have granted this Security Agreement to the Bank in consideration by the Bank advancing funds or providing credit or a credit facility to you. The Bank will not be responsible for debts or liabilities that may arise except to the extent that it agrees to be responsible or liable in this Security Agreement. If enforcement becomes necessary, the Bank will act in good faith and in a commercially reasonable manner.)

16.1 To the full extent permitted by law, the Bank shall not be liable for any debts contracted by it during enforcement of this Security Agreement, for damages to persons or property or for salaries or non-fulfilment of contracts during any period when the Bank shall manage the Collateral upon entry or seizure, 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 Guarantor of any obligations or covenants imposed upon the Guarantor 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. To the full extent permitted by law, the Guarantor waives any provision of law permitted to be waived by him which imposes greater obligations upon the Bank than described above.

16.2 Neither the Bank nor any Receiver appointed by it shall be liable or accountable for any failure to seize, collect, realize, sell or obtain payments for the Collateral nor shall they be bound to institute proceedings for the purposes of seizing, collecting, realizing or obtaining payment or possession of the Collateral or the preserving of any right of the Bank, the Guarantor or any other party respecting the Collateral. The Bank shall also not be liable for any misconduct, negligence, misfeasance by the Bank, the Receiver or any employee or agent of the Bank or the Receiver, or for the exercise of the rights and remedies conferred upon the Bank or the Receiver by this Security Agreement.

16.3 The Bank or any Receiver appointed by it may grant extensions of time and other indulgences, take and give securities, accept compromises, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the debtors of the Guarantor, co-obligants, guarantors and others and with the Collateral and other securities as the Bank may see fit without liability to the Bank and without prejudice to the Bank's rights respecting the Obligations or the Bank's right to hold and realize the Collateral.

16.4 The Bank in its sole discretion may realize upon any other security provided by the Guarantor in any order or concurrently with the realization under this Security Agreement whether such security is held by it at the date of this Security Agreement or is provided at any time in the future. No realization or exercise of any power or right under this Security Agreement or under any other security shall prejudice any further realization or exercise until all Obligations

have been fully paid and satisfied.

16.5 Any right of the Bank and any obligation of the Guarantor arising under any other agreements between the Bank and the Guarantor shall survive the signing, registration and advancement of any money under this Security Agreement, and no merger respecting any such right or obligation shall occur by reason of this Security Agreement. The obligations, if any, of the Guarantor under the terms of the Loan Agreement, Guarantee and Indemnity Agreement with the Bank shall survive the signing and registration of this Security Agreement and any legal fees, and other indemnity obligations owing by the Guarantor under the Guarantee, Loan Agreement and Indemnity Agreement shall be secured by the Collateral.

16.6 In the event that the Bank registers a notice of assignment of Intellectual Property the Guarantor shall be responsible for and shall indemnify the Bank against all maintenance and renewal costs in respect thereof, and any costs of initiating or defending litigation, together with all costs, liabilities and damages related thereto.

16.7 Notwithstanding any taking of possession of the Collateral, or any other action which the Bank or the Receiver may take, the Guarantor now covenants and agrees with the Bank that if the money realized upon any disposition of the Collateral is insufficient to pay and satisfy the whole of the Obligations due to the Bank at the time of such disposition, the Guarantor shall immediately pay to the Bank an amount equal to the deficiency between the amount of the Obligations and the sum of money realized upon the disposition of the Collateral, and the Guarantor agrees that the Bank may bring action against the Guarantor for payment of the deficiency, notwithstanding any defects or irregularities of the Bank or the Receiver in enforcing its rights under this Security Agreement.

#### 17. APPOINTMENT OF ATTORNEY

(You appoint the Bank your attorney for specific matters.)

The Guarantor hereby irrevocably appoints the Bank or the Receiver, as the case may be, with full power of substitution, as the attorney of the Guarantor for and in the name of the Guarantor to do, make, sign, endorse or execute under seal or otherwise all deeds, documents, transfers, cheques, instruments, demands, assignments, assurances or consents that the Guarantor is obliged to sign, endorse or execute and generally to use the name of the Guarantor and to do everything 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. This grant and authority shall continue and survive any mental infirmity or legal incapacity of the Guarantor subsequent to the execution hereof.

#### 18. CONSOLIDATION

(Should you wish to redeem the Security Interest, the Bank may require you to also pay other obligations to it before discharging its Security Interests.)

For the purposes of the laws of all jurisdictions in Canada, the doctrine of consolidation applies to this Security Agreement.

#### 19. NO OBLIGATION TO ADVANCE

(The Bank determines, in the end, whether any advances or further advances under the loan facility will be made.)

Neither the preparation and execution of this Security Agreement nor the perfection of the Security Interests or the advance of any monies by the Bank shall bind the Bank to make any advance or loan or further advance or loan, or extend any time for payment of any indebtedness or liability of the Guarantor or of the Borrower to the Bank.

#### 20. WAIVER

(Indulgences granted by the Bank should not be taken for granted.)

The Bank may permit the Guarantor to remedy any default without waiving the default so remedied. The Bank may from time to time and at any time partially or completely waive any right, benefit or default under this Security Agreement but such waiver shall not be a bar to or a waiver of any such right, benefit or default thereafter, or of any other right, benefit or default under this Security Agreement. No waiver shall be effective unless it is in writing and signed by the Bank. No delay or omission on the part of the Bank in exercising any right shall operate as a waiver of such right or any other right.

**21. NOTICE**

(This Clause describes how the various notices referred to in this Security Agreement may be given.)

Notice may be given to either party by prepaid mail or delivered to the party for whom it is intended, at the principal address of such party provided in this Security Agreement or at such other address as may be given in writing by one party to the other, and any notice if mailed shall be deemed to have been given at the expiration of three business days after mailing and if delivered, on delivery.

**22. EXTENSIONS**

(Your duties and responsibilities to the Bank remain in place regardless of any concerns you may have about the loan facility or the Bank's actions.)

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 Guarantor, the Guarantor's account debtors, sureties and others and with the Collateral and other security interests as the Bank may see fit without prejudice to the Guarantor's liability or the Bank's right to hold and realize on the Security Interests.

**23. NO MERGER**

(Except as agreed upon in the Security Agreement or another contract specifically discussing this point, this Security Agreement is an independent obligation on your part.)

This Security Agreement shall not create any merger or discharge of any of the Obligations, or any assignment, transfer, guarantee, lien, contract, promissory note, bill of exchange or security interest of any form held or which may be held by the Bank now or in the future from the Guarantor or from any other person. The taking of a judgement respecting any of the Obligations will not operate as a merger of any of the covenants contained in this Security Agreement.

**24. RIGHTS CUMULATIVE**

(This Agreement describes some rights and remedies of the Bank. The Bank also is entitled to rely on all other rights and remedies available to it in law and in any other agreements it has entered into with you.)

The Bank's rights and remedies set out in this Security Agreement, and in any other security agreement held by the Bank from the Guarantor or any other person to secure payment and performance of the Obligations, are cumulative and no right or remedy contained in this Security Agreement or any other security agreements is intended to be exclusive but each will be in addition to every other right or remedy now or hereafter existing at law, in equity or by statute, or pursuant to any other agreement between the Guarantor and the Bank that may be in effect from time to time.

**25. ASSIGNMENT**

(Should the Bank assign or transfer or otherwise deal with this Security Agreement on its own behalf, you agree that the Security Agreement shall remain binding and effective upon you.)

The Bank may, without notice to the Guarantor, at any time assign or transfer, or grant a security interest in, all or any of the Obligations, this Security Agreement and the Security Interests. The Guarantor 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 Guarantor will not assert as a defence, counterclaim, right of set-off or otherwise any claim which it now has or may acquire in the future against the Bank in respect of any claim made or any action commenced by such assignee, transferee or secured party, as the case may be, and will pay the assigned Obligations to the assignee, transferee or secured party, as the case may be, as the said Obligations become due.

**26. SATISFACTION AND DISCHARGE**

(Until this Security Agreement is terminated and any registrations relating to it are discharged, the Security Agreement will remain effective even though the indebtedness to the Bank may have been paid.)

Any partial payment or satisfaction of the Obligations, or any ceasing by the Guarantor to be indebted to the Bank shall not be a redemption or discharge of this Security Agreement. The Guarantor shall be entitled to a release and discharge of this Security Agreement upon full payment and satisfaction of all Obligations, and upon written

request by the Guarantor and, subject to applicable law, payment to the Bank of an administrative 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. The Guarantor shall, subject to applicable law, pay an administrative fee, to be fixed by the Bank, for the preparation or execution of any full or partial release or discharge by the Bank of any security it holds, of the Guarantor, or of any guarantor or covenantor with respect to any Obligations.

**27. ENVIRONMENT**

intentionally left blank

**28. ENUREMENT**

This Security Agreement shall enure to the benefit of the Bank and its successors and assigns, and shall be binding upon the Guarantors and its heirs, executors, administrators, successors and any assigns permitted by the Bank, as the case may be.

**29. INTERPRETATION**

29.1 In this Security Agreement:

- (a) "Collateral" has the meaning set out in Clause 1 and any reference to the Collateral shall, unless the context otherwise requires, be deemed to be a reference to the Collateral in whole or in part;
- (b) "the Act" means the *Personal Property Security Act* of the Province of New Brunswick, and all regulations under the Act, as amended from time to time.

29.2 Words and expressions used in this Security Agreement that have been defined in the Act shall be interpreted in accordance with their respective meanings given in the Act unless otherwise defined in this Security Agreement or unless the context otherwise requires.

29.3 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 of this Security Agreement.

29.4 The headings used in this Security Agreement have been inserted for convenience of reference only and shall not define, limit, alter or enlarge the meaning of any provision of this Security Agreement.

29.5 This Security Agreement shall be governed by the laws of the province referred to in subclause 29.1(b). For enforcement purposes, the Guarantor hereby attorns to the jurisdiction of the courts and laws of any province, state, territory or country in which the Bank enforces its rights and remedies hereunder.

**30. COPY OF AGREEMENT AND FINANCING STATEMENT**

The Guarantor:

- (a) acknowledges receiving a copy of this Security Agreement; and
- (b) if the Act so permits, waives all rights to receive from the Bank a copy of any financing statement or financing change statement filed, or any verification statement or other document received at any time respecting this Security Agreement.

**31. TIME**

Time shall in all respects be of the essence.

**32. INDEPENDENT ADVICE**

The Guarantor acknowledges having received, or having had the opportunity to receive, independent legal and accounting advice respecting this Security Agreement and its effect.

**33. PARENTHETICAL COMMENTS**

The Guarantor acknowledges and agrees that the comments in parentheses are intended to provide a brief but not thorough indication of the intent of the legal provisions that follow in each subsequent clause, and do not form part of this Security Agreement.

**34. THE LOAN AGREEMENT**

The Bank has extended financing to the Borrower relating to the loan facilities pursuant to the Loan Agreement and guaranteed by the Guarantee and Indemnity Agreement, all of which are secured by this Security Agreement. The Guarantor acknowledges and agrees that in the event of any discrepancy between any term of this Security Agreement and any term of the Loan Agreement or any documents executed in relation thereto, the terms of the Loan Agreement and its specified order of priority shall apply and take precedence over the terms of this Security Agreement.

**35. LANGUAGE**

At the request of the parties, this Security Agreement has been drafted in the English language.

IN WITNESS WHEREOF the Guarantor has hereunto set his hand and seal or has affixed its corporate seal duly attested by the hand(s) of its proper officer(s) in that behalf, on the day and year first above written.

  
(Witness)

  
DONALD GAUVIN 



**SCHEDULE "A"****Subclause 1.1(a):**

1. the following specific items, even though they may be included within the descriptions of Collateral (insert description by item or kind):

All Intellectual Property Rights held by the Guarantor, existing now or in the future, which are used by Lamtrac International, including without limitation, the following patents: (i) Articulated Vehicle Patent, Canada, CA 2157265; (ii) Articulated Vehicle Patent, United States of America, 5632350; together with any related foreign filings which exist now or in the future, and all related Intellectual Property Rights.

2. the following serial numbered goods: N/A

Serial No. (re motor vehicles & trailers, etc.)

Year      Make and Model

3. Location(s) of the Collateral:

The Collateral is Intellectual Property which is the subject of a license from the Guarantor to Lamtrac International, a copy of which has been provided to the Bank. This grant of license permits Lamtrac International to use the Intellectual Property on a world-wide basis to design, develop, manufacture, or have manufactured, distributed or have distributed, offer for sale, sell or have sold certain machinery, including groomers, forestry equipment and other products for any field of use so chosen by Lamtrac International.

PROVINCE OF NEW BRUNSWICK

COUNTY OF GLOUCESTER

I, JUAN Robichaud <sup>Shippagan</sup> of the Town of Lamèque, in the County of Gloucester and Province of New Brunswick, MAKE OATH AND SAY:

1. THAT on or about the 19 day of November, 2007, I was present and saw the within document executed by DONALD GAUVIN, of the Town of Lamèque, in the County of Gloucester and Province of New Brunswick.

2. THAT the the signature of "DONALD GAUVIN" set and subscribed to the said document as that of DONALD GAUVIN, is indeed the signature of the said DONALD GAUVIN and was subscribed thereto in my presence.

SWORN TO at the Town of Lamèque, )  
in the County of Gloucester and )  
Province of New Brunswick, )  
this 19 day of November, 2007. )  
)

BEFORE ME:

[Signature] )  
A Commissioner of Oaths, )  
being a Solicitor )

[Signature]  
JUAN Robichaud

onia Mallet  
COMMISSAIRE AUX SERMENTS  
sa commission se termine le 31 décembre 2011