

12-11-2002

SHEET

ocket No.: FRASER 008

To the Honorable Commissioner of



attached original documents or copy hereof.

102308127

1. Name of conveying party(ies):

VSM MEDETECH LTD.

*11-18-02*

Individual(s)  Association  
 General Partnership  Limited Partnership  
 Corporation-(Country) Alberta

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

3. Nature of conveyance:

Assignment  Merger  
 Security Agreement  Change of Name  
 Other:

Execution Date: October 23, 2002

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

Name: Comercia Bank

Address: Suite 2210, South Tower, Royal Bank Plaza  
P.O. Box 61, Toronto, Ontario M5J 2J2

Individual(s) citizenship: \_\_\_\_\_  
 Association \_\_\_\_\_  
 General Partnership \_\_\_\_\_  
 Limited Partnership \_\_\_\_\_  
 Corporation-(Country) \_\_\_\_\_  
 Other - Canada Branch

If assignee is not domiciled in the United States, a domestic representative designation is attached:

Yes  No

(Designations must be a separate document from Assignment)

Additional name(s) & addresses attached?  Yes  No

A. Trademark Application No.(s)

76/254,875

76/315,658

B. Trademark Registration No.(s)

Additional Numbers attached?  Yes  No

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

Name: Mark N. Mutterperl

Internal Address: Fulbright & Jaworski L.L.P.

Street Address: 666 Fifth Avenue

City: New York State: NY Zip: 10103

6. Total number of applications and registration involved: ..... 2

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

Enclosed

Authorized to be charged to deposit account in the event of insufficiency of check

8. Deposit account number:

[NUMBER] 50.0624-Order No. Fraser 006

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

12/10/2002 610N11 00000167 76254875

01 FC:8521 40.00 CP  
02 FC:8522 25.00 CP

DO NOT USE THIS SPACE

9. Statement and signature.

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

Mark N. Mutterperl

November 14, 2002

Name of Person Signing

Signature

Date

Total number of pages including cover sheet and attachments 1

OMB No. 0651-0011 (exp. 4/94)

"Express Mail" mailing label No. \_\_\_\_\_

**COMERICA BANK**  
**British Columbia — P.P.S.A.**

THIS SECURITY AGREEMENT is made the 23<sup>rd</sup> day of October, 2002.

BETWEEN:

**VSM MEDTECH LTD.**, an Alberta Corporation  
(No. A-0052705), extraprovincially registered in British Columbia,  
having its chief executive office at 1500-675 West Hastings Street,  
British Columbia, V6N 1N2  
Facsimile: (604) 738-8762

(the "Debtor")

AND:

**COMERICA BANK, CANADA BRANCH**, Suite 2210, South  
Tower, Royal Bank Plaza, P.O. Box 61, Toronto, Ontario M5J 2J2  
Facsimile: (416) 367-2460

(the "Bank")

1.0  
1.1

**SECURITY INTEREST**

For consideration the Debtor does hereby:

- (a) 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 and wheresoever situate, and all proceeds thereof and therefrom including:
- (i) all equipment, including, without limiting the generality of the foregoing, machinery, tools, fixtures, furniture, furnishings, 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");
  - (ii) all 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

6113-508168-000001-20v4

**TRADEMARK**  
**REEL: 002631 FRAME: 0466**

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");

- (iii) all Accounts 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;
  - (iv) all documents of title, chattel paper, instruments, securities and money, and all other goods of the Debtor that are not Equipment, Inventory or Accounts;
  - (v) all Contracts, contractual rights, licences, goodwill and Intellectual Property of the Debtor, 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; and
  - (vi) without limiting the generality of the foregoing, the personal property, if any, described in Schedule A and B hereto; and
- (b) charge as and by way of a floating charge, and grant to the Bank a security interest in and to:
- (i) 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"); and
  - (ii) all assets and undertakings of the Debtor, of whatsoever nature or kind and wheresoever situate, and all proceeds thereof and therefrom, other than such of its assets and undertakings as are otherwise validly and effectively subject to the charges and security interests in favour of the Bank created pursuant to this Section 1.1.

1.2 The charges, assignments and transfers and security interests created pursuant to Section 1.1 are hereinafter collectively called the "Security Interests" and the property subject to the Security Interests and all property, assets and undertakings, expressed to be charged, assigned or transferred or secured by any instruments supplemental hereto or in implementation hereof are hereinafter collectively called the "Collateral".

**2.0 EXCEPTIONS**

2.1 The last 10 days of the term created by any lease or agreement therefor are hereby excepted out of any charge or security interest created by this Security Agreement but the Debtor shall stand possessed of the reversion thereby remaining upon trust to assign and dispose thereof to any third party as the Bank shall direct.

2.2 All consumer goods of the Debtor are hereby excepted out of the Security Interests created by this Security Agreement.

2.3 Notwithstanding Section 1.1, the Collateral shall not include Intellectual Property now owned or hereafter acquired, and any claims for damages by way of any past, present and future infringement of any of the Intellectual Property, relating to or arising out of that portion of Debtor's business concerning the development, manufacture and sale of blood pressure monitoring systems under the trademark or trade name "Beat to Beat" (the "Beat to Beat IP"). For greater certainty, the Beat to Beat IP does not include any property or assets arising from the sale, transfer or other disposition of the Beat to Beat IP or any portion thereof (including, without limitation, Accounts), any other present or after-acquired intangible personal property of the Debtor or any other present or after-acquired tangible personal property of the Debtor and, without limitation, the Beat to Beat IP does not include the inventory of components and finished goods pertaining to the "Beat to Beat" products being developed, manufactured and sold by the Debtor and any proceeds thereof.

2.4 Notwithstanding anything to the contrary expressed or implied in Section 1.1, to the extent that the Collateral includes any agreement, right, franchise, lease, license or permit (collectively "contractual rights") to which the Debtor is a party or of which the Debtor has the benefit, and (a) the granting of the Security Interest in respect of such contractual right requires the consent of the other party thereto, or (b) such contractual right would automatically terminate if it was part of the Collateral, or would be terminable at the option of the other party thereto or the grantor thereof, the Security Interest shall, with respect to such contractual rights only, not have any force or effect and shall be deemed not to have been given by the Debtor unless and until such consent, authorization, approval or waiver has been obtained, provided that, until that time, the Debtor shall stand possessed of such contractual rights upon trust for the purposes and subject to the terms hereof to assign and dispose thereof as the Bank shall direct as and when the Bank is entitled to realize upon the Collateral in accordance with Section 10.0. 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 licenses with respect to which a consent to mortgage is not capable of being obtained."

**3.0 ATTACHMENT**

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.

4.0 **PROHIBITIONS**

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

- (a) except for Permitted Liens (as defined in the Loan Agreement), create or permit to exist any security interest in, charge, encumbrance or lien over, or claim against any of its property, assets, or undertakings 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; or
- (b) grant, sell, or otherwise assign its chattel paper.

5.0 **OBLIGATIONS SECURED**

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 of all indebtedness and liability of the Debtor to the Bank (including interest thereon), present and future, absolute or contingent, joint or several, direct or indirect, matured or not, extended or renewed, wheresoever and howsoever incurred, and any ultimate balance thereof, including all advances on current or running account, future advances and re-advances, and for the performance of all obligations of the Debtor to the Bank, whether or not contained in this Security Agreement (all of which indebtedness, liability and obligations are hereinafter collectively called the "Obligations").

6.0 **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 lawfully owns and possesses all presently held Collateral and has good title thereto, free from all security interests, charges, encumbrances, liens and claims, save only the charges or security interests, if any, consented to in writing by the Bank or shown in any Schedule hereto, 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:

- (a) all Intellectual Property applications or registrations are valid and in good standing and the Debtor is the owner of the applications and registrations and the Debtor will notify the Bank of any subsequent registrations;
- (b) Schedule A contains a complete and accurate list of all of the Debtor's Patents and Trademarks;

- (c) Schedule B contains a complete and accurate list of all of the Debtor's registered Copyrights and all Copyrights that are generating revenue for the Debtor;
- (d) each of the registered Patents, Trademarks and Copyrights (if any), and each applicable registration of them (if any) is valid, subsisting and enforceable;
- (e) the Debtor has obtained from all appropriate Persons written unrestricted waivers of all moral rights with respect to Copyrights, which waivers may be invoked by any Person authorized by the Debtor to use the work;
- (f) the computer systems owned or used by the Debtor, including hardware and software, are free from viruses and disabling codes and devices and after the Debtor has taken, and will continue to take, all steps and implement all procedures necessary to ensure, so far as reasonably possible, that such systems are free from viruses and disabling codes and devices, and will properly handle such dates. The Debtor has in place appropriate disaster recovery plans, procedures and facilities and has taken all steps and implemented all procedures to safeguard its computer systems and restrict unauthorized access thereto. All the Source Codes for proprietary Software (other than off-the-shelf applications Software) used in the computer systems of the Debtor are subject to escrow arrangements that would enable the Debtor to have access to such Source Codes in the event of the applicable licensor's insolvency or failure or refusal to maintain or provide support for the software;
- (g) as of the date hereof, no claim has been made that the use of any of the Intellectual Property by the Debtor does or may contravene any law or violate or infringe upon the rights of any Person; and
- (h) the locations specified in Schedule C as to business operations and records are accurate and complete and with respect to Goods (including Inventory) constituting Collateral, the locations specified in Schedule C are accurate and complete save for Goods in transit to such locations and Inventory on lease or consignment.

7.0 **COVENANTS OF THE DEBTOR**

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

- (a) 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;
- (b) fully and effectually maintain and keep maintained the Security Interests hereby created valid and effective;

- (c) maintain the Collateral in good order and repair;
- (d) forthwith pay:
  - (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 Debtor shall in good faith contest its obligations so to pay and has set aside reserves to the extent required by generally accepted accounting principles; and
  - (ii) all security interests, charges, encumbrances, liens and claims which rank or could in any event rank in priority to any Security Interest created by this Security Agreement;
- (e) forthwith pay all reasonable 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;
- (f) 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;
- (g) 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 the Bank in its absolute discretion requires 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;
- (h) 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;
- (i) 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;
  - (j) carry on and conduct its business in a proper and business-like manner, including maintenance of proper books of account and records;
  - (k) permit the Bank and its representatives, at all reasonable times, access to all its property, assets and undertakings and to all its books of account and records for the purpose of inspection and render all assistance necessary for such inspection;
  - (l) 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) copies of all Software Documentation except Source Codes and, after default hereunder, copies of all Software Documentation including Source Codes, together with all necessary passwords, codes, trade secrets or know how needed to enable the Bank to access the Software and the Software Documentation including the service of a knowledgeable computer programmer at the Debtor's expense to assist the Bank in using, understanding, copying, documenting and/or installing the Software;
    - (iii) 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;
    - (iv) all financial statements prepared by or for the Debtor regarding the Debtor's business; and



- (v) such information concerning Collateral, the Debtor and the Debtor's business and affairs as the Bank may require;
- (m) the Debtor shall do everything reasonably necessary or desirable to preserve and maintain the Intellectual Property including, without limitation:
  - (i) apply to register existing and future Patents, Trademarks and all Copyrights which are generating revenue for the Debtor, and prosecute diligently all such applications;
  - (ii) renew Patent, Trademark and Copyright registrations, if renewable;
  - (iii) file all assignments of the registered Patents, Trademarks and Copyrights, if any, which are necessary or desirable to maintain the Debtor's rights therein;
  - (iv) pay all fees necessary to maintain the Intellectual Property;
  - (v) ensure that the Licence Agreements executed by the Debtor adequately protect the Debtor's rights in the subject Intellectual Property;
  - (vi) perform all of its obligations under the Licence Agreements and all Contracts;
  - (vii) obtain from each employee working on the Software a consent to and acknowledgement of the Copyright of the Debtor in his or her work, 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;
  - (viii) 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
  - (ix) diligently, at its own expense, enforce its rights under Contracts and other agreements which enhance the value of or protect the Intellectual Property; and
- (n) the Debtor shall, on request from the Bank, put all Source Code for the Software owned by it in trust with a trustee acceptable to the Bank under a software trust agreement acceptable to the Bank acting reasonably.

8.0 **PERFORMANCE OF OBLIGATIONS**

If the Debtor fails to perform its obligations to the Bank, 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.

9.0 **RESTRICTIONS ON SALE OR DISPOSAL OF COLLATERAL**

9.1 Except as herein provided, 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.

9.2 Provided that the Debtor is not in default under this Security Agreement, at any time without the consent of the Bank the Debtor may 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.

10.0 **DEFAULT**

10.1 The Debtor shall be in default under this Security Agreement if any Event of Default (as defined in the Loan Agreement) occurs.

10.2 For the purposes of Section 203 of the *Land Title Act* (British Columbia), the floating charge created by this Security Agreement over Real Property shall become a fixed charge thereon upon the earliest of:

- (a) the occurrence of an event described in Section 8.4, 8.6, 8.7 or 8.8 of the Loan Agreement; or
- (b) the Bank taking any action pursuant to Section 11 of this Agreement to enforce and realize on the Security Interests created by this Security Agreement.

11.0 **ENFORCEMENT**

11.1 Upon any default under this Security Agreement the Bank may 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") of the Collateral, 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 upon any premises of the Debtor and take possession of the Collateral with power to exclude the Debtor, its agents and its servants therefrom, without becoming liable as a mortgagee in possession;
- (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 all of the rights and remedies of a secured party under the Act.

11.2 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.

11.3 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.

#### 12.0 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.

#### 13.0 LIABILITY OF BANK

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-fulfilment 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 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.

#### 14.0 APPOINTMENT OF ATTORNEY

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.

15.0 **ACCOUNTS**

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, whether before or after default, as may seem to it advisable, and without notice to the Debtor, except in the case of disposition after default and then subject to the provisions of Part V 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.

16.0 **APPROPRIATION OF PAYMENTS**

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.

17.0 **CONSOLIDATION**

In accordance with the *Property Law Act* (British Columbia), the doctrine of consolidation applies to this Security Agreement.

18.0 **LIABILITY TO ADVANCE**

18.1 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.

19.0 **WAIVER**

The Bank may from time to time and at any time waive in whole or in part any right, benefit or default under any Section 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.

20.0 **NOTICE**

Notice may be given to either party in the manner provided by the Loan Agreement. 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.

21.0 **EXTENSIONS**

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.

22.0 **NO MERGER**

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.

23.0 **RIGHTS CUMULATIVE**

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.

24.0 **ASSIGNMENT**

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.

25.0 **SATISFACTION AND DISCHARGE**

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 upon full payment and satisfaction of all Obligations, and upon written request by the Debtor and payment to the Bank of a 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.

26.0 **ENUREMENT**

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.

27.0 **INTERPRETATION**

27.1 In this Security Agreement:

**"Accounts"** means all presently existing and hereafter arising accounts, contract rights, and all other forms of obligations owing to the Debtor arising out of the sale or lease of goods (including, without limitation, the licensing of software and other technology) or the rendering of services by the Debtor, whether or not earned by performance, and any and all credit insurance, guarantees, and other security therefor, as well as all merchandise returned to or reclaimed by the Debtor and the Debtor's books relating to the foregoing.

**"Collateral"** has the meaning set out in Section 1.2 hereof 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 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 and general intangibles of like nature, 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 Intellectual Property Office or United States Copyright office or in any similar office in any other country, and all reissues, extensions or renewals thereof, including, without limitation, the copyrights listed in Schedule B hereto.

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

**"Intellectual Property"** means all:

- (a) Copyrights, Trademarks, Patents, Software and Software Documentation;
- (b) any and all trade secrets, and any and all intellectual property rights in all software and software documentation now or hereafter existing, created, acquired or held;

- (c) any and all design rights which may be available to the Debtor now or hereafter existing, created, acquired or held;
- (d) any and all claims for damages by way of past, present and future infringement of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;
- (e) all License Agreements and all licenses or other rights to use any of the Copyrights, Trademarks, Patents, Software and Software Documentation, and all license fees and royalties arising from such use to the extent permitted by such license or rights;
- (f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents; and
- (g) all proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

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

**"Loan Agreement"** means the agreement dated the same date as this Security Agreement between the Debtor, VSM Technology Inc., CTF Systems (2001) Inc. and the Bank.

**"Object Code"** means Software created or stored in binary form so that it may be used directly by information processing equipment to process information; such Software being normally translated from Source Code using Software commonly referred to as a compiler.

**"Patents"** means all patents, patent applications and like protections, including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, including, without limitation, those listed on Schedule A.

**"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 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 language commonly used for the creation or storage of Software such as, without limitation, Pascal, Fortran, Basic, and C.

**"Tax Credits"** means an account receivable from the revenue gathering arm of any federal or provincial Governmental Authority by way of an incentive payment based on the taxation system of the relevant Governmental Authority and payable in conjunction with the filing of annual tax returns.

**"the Act"** means the *Personal Property Security Act* (British Columbia) and all regulations thereunder, as amended from time to time.

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

- (a) all designs, logos, indicia, trade names, corporate names, company names, business names, trade styles, service marks, logos and other source or business identifiers;
- (b) all fictitious characters;
- (c) all prints and labels on which any of the foregoing have appeared or appear or shall appear;
- (d) all registrations and applications that have been or shall be made or filed in the Canadian Trademarks 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;
- (e) all goodwill associated with or symbolized by any of the foregoing; and
- (f) all common law and other rights in the above,

including, without limitation, those listed on Schedule A.

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

27.2 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.

27.3 The invalidity or unenforceability of the whole or any part of any section of this Security Agreement shall not affect the validity or enforceability of any other section or the remainder of such Section.

27.4 The headings of the sections 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.

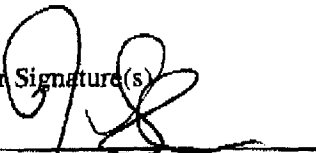
27.5 This Security Agreement shall be governed by the laws of British Columbia.

28.0 **COPY OF AGREEMENT AND FINANCING STATEMENT**

28.1 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.

IN WITNESS WHEREOF the Debtor has executed this Security Agreement this 23<sup>rd</sup> day of October, 2002.

Officer Signature(s) 

**TIM SEHMER  
BARRISTER & SOLICITOR**

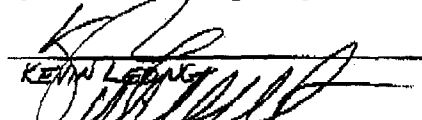
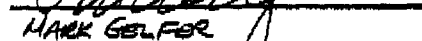
900 Waterfront Centre, 200 Burrard Street  
P.O. Box 48600, Vancouver, Canada V7X 1T2  
(604) 640-4142

(As To The Signature Of Kevin Leung)

Y	M	D
02	10	23

Debtor(s) Signature

VSM MEDTECH LTD.  
by its Authorized Signatories

  
KEVIN LEUNG  
  
MARK GELFER

**OFFICER CERTIFICATION:**

Your signature constitutes a representation that you are a solicitor, notary public or other person authorized by the Evidence Act, R.S.B.C. 1996, c. 124, to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the Land Title Act as they pertain to the execution of this instrument.

**SCHEDULE A**  
**PATENTS AND TRADEMARKS**

**(Patent Registrations and Applications)**

Nil

**(Trademark Registrations)**

	<u>Trademark</u>	<u>Registration No.</u>	<u>Status</u>
Canada	BpTRU	1,110,510	Pending-Formalized
Canada	BpTRU & DESIGN	1,110,509	Pending-Formalized
Canada	MEDICAL ADVANCES THROUGH TECHNOLOGY	1,090,180	Pending-Advertised
Canada	Stylized Heartbeat Design	1,090,179	Pending-Advertised
Canada	VSM	1,090,178	Pending-Approved
Canada	VSM MEDTECH	1,090,181	Pending-Approved

**(Trademark Applications)**

	<u>Trademark</u>	<u>Application No.</u>	<u>Laid-Open Date</u>
USA	VSM	76/254,875	application refused
USA	BpTRU (logo)	76/315,658	application to be published for opposition shortly

**SCHEDULE B**

**COPYRIGHTS**

Nil

6113-508168-000001-20v4

### **SCHEDULE C**

**1. Locations of Debtor's Chief Executive Office, Corporate Office, Principal Place of Business and Business Operations**

1500 – 675 West Hastings Street, Vancouver, British Columbia V6N 1N2  
15 – 1750 MacLean Avenue, Port Coquitlam, British Columbia V3C 1M9

**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)**

1500 – 675 West Hastings Street, Vancouver, British Columbia V6N 1N2  
15 – 1750 MacLean Avenue, Port Coquitlam, British Columbia V3C 1M9  
8383 Melrose Drive, Lenexa, Kansas 66214

6113-508168-000001-20v4