

Form PTO-1594 (Rev. 08/08)
 OMB Collection 0651-0027 (exp. 9/30/2008)

U.S. DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office

**RECORDATION FORM COVER SHEET
 TRADEMARKS 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):

ATS Systems Oregon Inc.

- Individual(s) Association
 General Partnership Limited Partnership
 Corporation- State: Delaware
 Other _____

Citizenship (see guidelines) Delaware

Additional names of conveying parties attached? Yes No

3. Nature of conveyance /Execution Date(s) :

Execution Date(s) August 29, 2008

- Assignment Merger
 Security Agreement Change of Name
 Other _____

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? Yes No

Name: The Bank of Nova Scotia, as Agent

Internal

Address: _____

Street Address: 44 King Street West, 16th Floor

City: Toronto

State: Ontario

Country: Canada

Zip: _____

- Association Citizenship _____
 General Partnership Citizenship _____
 Limited Partnership Citizenship _____
 Corporation Citizenship _____

Other Bank Citizenship Canada

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)

4. Application number(s) or registration number(s) and identification or description of the Trademark.

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

2403173

Additional sheet(s) attached? Yes No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

QUICKSILVER

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

Name: Laura Hebert

Internal Address: Carrington, Coleman, Sloman &

Blumenthal, L.L.P.

Street Address: 901 Main Street, Suite 5500

City: Dallas

State: Texas

Zip: 75214

Phone Number: (214) 855-3109

Fax Number: (214) 855-1333

Email Address: lhebert@ccsb.com

6. Total number of applications and registrations involved:

1 (ONE)

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$40.00

- Authorized to be charged to deposit account
 Enclosed

8. Payment information:

Deposit Account Number _____

Authorized User Name _____

9. Signature:

Laura Hebert
 Signature

Sept. 23, 2008

Date

Laura Hebert

Name of Person Signing

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

21

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, VA 22313-1450

**Attachment to Trademark Recordation Form Cover Sheet
for Security Agreement executed August 29, 2008
by ATS Systems Oregon Inc.
to The Bank of Nova Scotia, as Agent**

2. Designated Domestic Representative of Receiving Party

Scotia Capital
711 Louisiana Street, Suite 1400
Houston, Texas 77002

Attention: Paula Czach

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Agreement") is made as of the 29th day of August, 2008, by **ATS SYSTEMS OREGON INC.** (hereinafter called "Debtor"), which is a Delaware corporation, whose chief executive office and office for the receipt of notices is located at 250 Royal Oak, Cambridge, Ontario N3H 4R6, Canada, and whose organization identification number is 2623357, in favor of **THE BANK OF NOVA SCOTIA**, as Administrative Agent (the "Agent") for itself and the other Secured Parties (as defined herein) under the terms of the Credit Agreement (as defined herein). Agent's address is 44 King Street West, 16th Floor, Toronto, Ontario M5H 1H1, Canada. Debtor hereby agrees with Agent and Secured Parties as follows:

1. Definitions. As used in this Agreement, the following terms shall have the meanings indicated below:

(a) The term "Borrower" shall mean **ATS Automation Tooling Systems Inc.**

(b) The term "Code" shall mean the Uniform Commercial Code as in effect in the State of New York on the date of this Agreement or as it may hereafter be amended from time to time.

(c) The term "Collateral" shall mean all of the personal property of Debtor, wherever located, and now owned or hereafter acquired including:

- a. All "accounts", as defined in the Code (including health-care-insurance receivables), together with any and all books of account, customer lists and other records relating in any way to the foregoing (including, without limitation, computer software, whether on tape, disk, card, strip, cartridge or any other form), and in any case where an account arises from the sale of goods, the interest of Debtor in such goods.
- b. All "inventory" as defined in the Code, and all records relating in any way to the foregoing (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).
- c. All "chattel paper" as defined in the Code, and all records relating in any way to the foregoing (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).
- d. All "equipment" as defined in the Code, of whatsoever kind and character now or hereafter possessed, held, acquired, leased or owned by Debtor and used or usable in Debtor's business, and in any event shall include, but shall not be limited to, all machinery, tools, computer software, office equipment, furniture, appliances, furnishings, fixtures, vehicles, motor vehicles, together with all replacements, accessories, additions, substitutions and accessions to all of the foregoing, and all manuals, instructions and records relating in any

way to the foregoing (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).

- e. All "fixtures" as defined in the Code.
- f. All "instruments" as defined in the Code (including promissory notes), and all records relating in any way to the foregoing (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).
- g. All "intellectual property" which means all past, present and future: trade secrets and other proprietary information; trademarks, service marks, business names, designs, internet domain names, logos, indicia, and/or other source and/or business identifiers and the goodwill of the business relating thereto and all registrations or applications for registrations which have heretofore been or may hereafter be issued thereon throughout the world; copyrights (including, without limitation, copyrights for computer programs) and copyright registrations or applications for registrations which have heretofore been or may hereafter be issued throughout the world and all tangible property embodying the copyrights; unpatented inventions (whether or not patentable); patent applications and patents; industrial designs, industrial design applications and registered industrial designs; license agreements related to any of the foregoing set forth in this definition and income therefrom; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, source codes, object codes and other physical manifestations, embodiments or incorporations of any of the foregoing set forth in this definition; the right to sue for all past, present and future infringements of any of the foregoing set forth in this definition; and all common law and other rights throughout the world in and to all of the foregoing set forth in this definition.
- h. All "investment property" as defined in the Code, and all records relating in any way to the foregoing (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).
- i. All "documents" as defined in the Code, and all records relating in any way to the foregoing (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).
- j. All "deposit accounts" as defined in the Code, and all records relating in any way to the foregoing (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).
- k. All "letter of credit rights" as defined in the Code, and all records relating in any way to the foregoing (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).

- l. All "general intangibles" as defined in the Code, and all records relating in any way to the foregoing (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form), including all permits, regulatory approvals, copyrights, patents, trademarks, service marks, trade names, mask works, goodwill, licenses and all other intellectual property owned by Debtor or used in Debtor's business.
- m. Debtor's now existing or hereafter acquired partnership interests, together with all now existing or hereafter arising rights of Debtor to receive distributions or payments from such partnership(s), whether in cash or in kind, and whether such distributions or payments are on account of Debtor's interest as a partner, creditor or otherwise.
- n. All "supporting obligations" as defined in the Code, and all records relating in any way to the foregoing (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).

The term Collateral, as used herein, shall also include all PRODUCTS and PROCEEDS of all of the foregoing (including without limitation, insurance payable by reason of loss or damage to the foregoing property) and any property, securities, guaranties or monies of Debtor which may at any time come into the possession of any of the Secured Parties. The designation of proceeds does not authorize Debtor to sell, transfer or otherwise convey any of the foregoing property except finished goods intended for sale in the ordinary course of Debtor's business or as otherwise provided herein or in the Credit Agreement.

(d) The term "Credit Agreement" shall mean the Credit Agreement dated as of June 12, 2008 among ATS Automation Tooling Systems Inc., as Borrower, and the subsidiaries of the Borrower from time to time party to the Credit Agreement, as Guarantors, and the Lenders from time to time party to the Credit Agreement, as Lenders, and Agent.

(e) The term "Event of Default" shall mean the occurrence of (i) an Event of Default (as defined in the Credit Agreement); (ii) a failure of the Debtor to pay when due any of the Secured Obligations; or (iii) any demand for payment validly made by any creditor pursuant to the Secured Agreements which is not met in accordance with the terms of the demand or within any applicable grace period.

(f) The term "Guaranty" shall mean the Guaranty Agreement executed by Debtor dated as of August 29, 2008, in favor of Secured Parties guaranteeing the Guaranteed Obligations as defined therein.

(g) The term "Obligor" shall have the meaning ascribed thereto in the Credit Agreement.

(h) The term "Secured Agreements" shall mean the Credit Agreement and all present and future agreements under which Other Secured Obligations (as defined in the

"Credit Agreement") arise (as those agreements may be amended, supplemented, restated and replaced from time to time), and any reference to the "Secured Agreements" herein shall be interpreted as referring to "the Secured Agreements or any of them"; and

(i) The term "Secured Obligations" shall mean all obligations of the Debtor to the Secured Parties under or in connection with the Secured Agreements, including but not limited to all debts and liabilities in any currency, present or future, direct or indirect, absolute or contingent, choate or inchoate, matured or not, at any time owing by the Debtor to the Secured Parties or remaining unpaid by the Debtor to the Secured Parties under or in connection with the Secured Agreements, whether arising from dealings between the Secured Parties and the Debtor or from any other dealings or proceedings by which the Secured Parties may be or become in any manner whatever a creditor of the Debtor under or in connection with the Secured Agreements, and wherever incurred, and whether incurred by the Debtor alone or with another or others and whether as principal or surety, and all interest, commissions, legal and other reasonable costs (including reasonable legal fees), charges and expenses relating thereto or arising under or in connection with this Agreement.

(j) The term "Secured Parties" shall mean all persons from time to time defined as a "Lender" or as the "Agent" under the Credit Agreement and the Lenders and the Affiliates of the Lenders under or in connection with the Credit Agreement to whom the Borrower from time to time owes Other Secured Obligations and any reference herein to the "Secured Parties" shall be interpreted as referring to "the Secured Parties or any of them."

All words and phrases used herein which are expressly defined in Section 1.201 or Chapter 9 of the Code shall have the meaning provided for therein. Other words and phrases defined elsewhere in the Code shall have the meaning specified therein except to the extent such meaning is inconsistent with a definition in Section 1.201 or Chapter 9 of the Code. All capitalized terms not otherwise defined herein or in the Code shall have the meaning ascribed thereto in the Credit Agreement. Any reference herein to a document or agreement shall include that document or agreement as amended, supplemented, restated or replaced from time to time. Any rights or benefits stated to accrue to the benefit of the Agent shall accrue to the benefit of the Agent for and on behalf of and for the benefit of the Secured Parties.

2. Security Interest. As security for the Secured Obligations and for value received, Debtor hereby pledges and grants to Agent for the benefit of the Secured Parties a continuing security interest in the Collateral.

3. Representations and Warranties. In addition to any representations and warranties of Debtor set forth in the Loan Documents, which are incorporated herein by this reference, Debtor hereby represents and warrants the following to Secured Parties:

(a) Accuracy of Information. All information heretofore, herein or hereafter supplied to Secured Parties by or on behalf of Debtor with respect to the Collateral is true

and correct. The exact legal name and organization number of Debtor are correctly shown in the first paragraph hereof.

(b) Enforceability. This Agreement and the other Loan Documents constitute legal, valid and binding obligations of Debtor, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights and except to the extent specific remedies may generally be limited by equitable principles.

(c) Solvency of Debtor. As of the date hereof, and after giving effect to this Agreement and the completion of all other transactions contemplated by Debtor at the time of the execution of this Agreement, (i) Debtor is and will be solvent, (ii) Debtor is paying and will continue to be able to pay its debts as they mature, and (iii) Debtor has and will have sufficient capital to carry on Debtor's businesses and all businesses in which Debtor is about to engage.

(d) Exclusion of Certain Collateral. Unless otherwise agreed, the Collateral does not include any aircraft, watercraft or vessels, railroad cars, railroad equipment, locomotives or other rolling stock intended for a use related to interstate commerce.

(e) Chattel Paper, Documents and Instruments. The chattel paper, documents and instruments of Debtor pledged hereunder have only one original counterpart and no party other than Debtor or Agent is in actual or constructive possession of any such chattel paper, documents or instruments.

(f) Affirmation of Credit Agreement. Debtor hereby affirms all of the representations and warranties made by it in the Credit Agreement.

(g) Intellectual Property. Schedule I hereto is a complete listing of all of the Debtor's intellectual property which is subject to registration statutes.

4. Affirmative Covenants. In addition to all covenants and agreements of Debtor set forth in the Loan Documents, including without limitation those in the Credit Agreement, which are incorporated herein by this reference, Debtor will comply with the covenants contained in this Section 4 at all times during the period of time this Agreement is effective unless Agent shall otherwise consent in writing.

(a) Ownership and Liens. Except as permitted in the Credit Agreement, Debtor will maintain good and marketable title to all Collateral free and clear of all liens, security interests, encumbrances or adverse claims, except for the security interest created by this Agreement and the security interests and other encumbrances expressly permitted herein or by the other Loan Documents. Debtor will defend at its expense Agent's right, title and security interest in and to the Collateral against the claims of any third party.

(b) Further Assurances. Debtor will from time to time at its expense promptly execute and deliver all further instruments and documents and take all further action

necessary or appropriate or that Agent may request in order (i) to perfect and protect the security interest created or purported to be created hereby and the first priority of such security interest, subject to Permitted Liens, (ii) to enable Agent to exercise and enforce its rights and remedies hereunder in respect of the Collateral, and (iii) to otherwise effect the purposes of this Agreement, including without limitation: (A) executing (if requested) and filing such financing or continuation statements, or amendments thereto; and (B) furnishing to Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral, all in reasonable detail satisfactory to Secured Parties.

(c) Control Agreements. If and when requested to do so in writing by Agent, Debtor will cooperate with Agent in obtaining a control agreement in form and substance satisfactory to Agent with respect to the following Collateral: (i) Deposit Accounts; (ii) Investment Property; (iii) Letter-of-Credit Rights; and (iv) Electronic Chattel Paper and any other Collateral with respect to which Agent deems it necessary or appropriate to obtain a control agreement to perfect or protect the security interest in such Collateral.

(d) Condition of Goods. Debtor will maintain, preserve, protect and keep all Collateral which constitutes goods in good condition, repair and working order and will cause such Collateral to be used and operated in good and workmanlike manner, in accordance with applicable laws and in a manner which will not make void or cancelable any insurance with respect to such Collateral. Debtor will promptly make or cause to be made all repairs, replacements and other improvements to or in connection with the Collateral which Agent may reasonably request from time to time.

(e) Insurance. Debtor will, at its own expense, maintain insurance with respect to all Collateral in accordance with and subject to the terms of the Credit Agreement. All insurance payments in respect of loss of or damage to any Collateral shall be paid and applied in accordance with the terms of the Credit Agreement.

(f) Assignment of Claims Act. Debtor covenants and agrees to take any action and/or execute any documents that Agent may request in order to comply with the Federal Assignment of Claims Act, as amended.

(g) Chattel Paper, Documents and Instruments. Debtor will take such action as may be requested by Agent in order to cause any chattel paper, documents or instruments to be valid and enforceable and will cause all chattel paper to have only one original counterpart. Upon request by Agent, Debtor will deliver to Agent all originals of chattel paper, documents or instruments and will mark all chattel paper with a legend indicating that such chattel paper is subject to the security interest granted hereunder.

(h) Commercial Tort Claims. Debtor represents and warrants to Agent that it does not now have any Commercial Tort Claims (as defined in the Code) which exceed \$5,000,000.00 in value and in the event that Debtor ever has a Commercial Tort Claim with an estimated value of Five Million Dollars (\$5,000,000.00) or greater, it shall promptly notify Agent of that fact and shall provide sufficient information concerning

such claim that Agent may determine whether or not it wishes to have such claim included as Collateral under the terms of this Agreement. If Agent elects to include such Commercial Tort Claim as Collateral, Debtor agrees to execute an amendment to this Agreement containing a sufficient description of such Commercial Tort Claim so as to create a valid security interest therein and to include it in the Collateral for all purposes hereof and will take such other steps as Agent deems necessary or appropriate to create, evidence or perfect a security interest therein.

5. Negative Covenants. Debtor will comply with the covenants contained in this Section 5 at all times during the period of time this Agreement is effective, unless Agent shall otherwise consent in writing.

(a) Transfer or Encumbrance. Except as permitted by and in accordance with the terms of the Credit Agreement, Debtor will not (i) sell, assign (by operation of law or otherwise), transfer, exchange, lease or otherwise dispose of any of the Collateral, (ii) grant a lien or security interest in, or (iii) deliver actual or constructive possession of any of the Collateral to any party other than Agent, except for (A) in the Ordinary Course, and (B) the sale or other disposal of any item of equipment which is worn out or obsolete; provided, however, the exceptions permitted in clauses (A) and (B) above shall automatically terminate upon the occurrence of an Event of Default.

(b) Impairment of Security Interest. Debtor will not take or fail to take any action which would in any manner impair the value or enforceability of Agent's security interest in any Collateral.

(c) Possession of Collateral. If any material amount of Collateral is in the possession of a third party out of the Ordinary Course, Debtor will, if requested in writing by the Agent, join with Agent in notifying the third party of Agent's security interest therein and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Agent.

(d) Goods. Except in the Ordinary Course, Debtor will not permit any Collateral which constitutes a material quantity of goods to at any time (i) become so related to, attached to or used in connection with any particular real property so as to become a fixture upon such real property, or (ii) be installed in or affixed to other goods so as to become an accession to such other goods unless such other goods are subject to a perfected first priority security interest under this Agreement.

(e) Compromise of Collateral. Except to the extent permitted by the Credit Agreement, Debtor will not adjust, settle, compromise, amend or modify any Collateral, except an adjustment, settlement, compromise, amendment or modification in good faith and in the Ordinary Course; provided, however, this exception shall automatically terminate upon the occurrence of an Event of Default or upon Agent's written request. Debtor shall provide to Agent such information concerning (i) any adjustment, settlement, compromise, amendment or modification of any Collateral, and (ii) any claim asserted by

any account debtor for credit, allowance, adjustment, dispute, setoff or counterclaim, in each case as Agent may request from time to time.

6. Rights of Agent. Agent shall have the rights contained in this Section 6 at all times during the period of time this Agreement is effective.

(a) Additional Financing Statements Filings. Debtor hereby authorizes Agent to file, without the signature of Debtor, one or more financing or continuation statements, and amendments thereto, relating to the Collateral.

(b) Power of Attorney. Upon the occurrence and during the continuance of an Event of Default, Debtor hereby irrevocably appoints Agent as Debtor's attorney-in-fact, such power of attorney being coupled with an interest, with full authority in the place and stead of Debtor and in the name of Debtor or otherwise, after the occurrence and during the continuance of an Event of Default, to take any action and to execute any instrument which Agent may deem necessary or appropriate to accomplish the purposes of this Agreement, including without limitation: (i) to obtain and adjust insurance required by Agent hereunder; (ii) to demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of the Collateral; (iii) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (i) or (ii) above; and (iv) to file any claims or take any action or institute any proceedings which Agent may deem necessary or appropriate for the collection and/or preservation of the Collateral or otherwise to enforce the rights of Agent with respect to the Collateral.

(c) Performance by Agent. If Debtor fails to perform any agreement or obligation provided herein, Agent may itself perform, or cause performance of, such agreement or obligation, and the reasonable expenses of Agent or any Secured Parties incurred in connection therewith shall be a part of the Secured Obligations, secured by the Collateral and payable by Debtor on demand.

(d) Notification of Account Debtors. Agent may at its discretion from time to time, upon the occurrence of and during the continuance of an Event of Default, notify any or all obligors under any accounts or general intangibles (i) of Agent's security interest in such accounts or general intangibles and direct such obligors to make payment of all amounts due or to become due to Debtor thereunder directly to Agent, and (ii) to verify the accounts or general intangibles with such obligors. Agent shall have the right, at the expense of Debtor, to enforce collection of any such accounts or general intangibles and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Debtor.

7. Remedies and Related Rights. If an Event of Default shall have occurred and is continuing, and without limiting any other rights and remedies provided herein, under any of the other Loan Documents or otherwise available to Agent, Agent or any Secured Parties may exercise one or more of the rights and remedies provided in this Section.

(a) **Remedies.** Agent may from time to time at its discretion, without limitation and without notice except as expressly provided in any of the Loan Documents:

(i) exercise in respect of the Collateral all the rights and remedies of a secured party under the Code (whether or not the Code applies to the affected Collateral);

(ii) require Debtor to, and Debtor hereby agrees that it will at its expense and upon request of Agent, assemble the Collateral as directed by Agent and make it available to Agent at a place to be designated by Agent which is reasonably convenient to both parties;

(iii) reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest granted hereunder by any available judicial procedure;

(iv) sell or otherwise dispose of, at its office, on the premises of Debtor or elsewhere, the Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale or other disposition of any part of the Collateral shall not exhaust Agent's power of sale, but sales or other dispositions may be made from time to time until all of the Collateral has been sold or disposed of or until the Secured Obligations has been paid and performed in full), and at any such sale or other disposition it shall not be necessary to exhibit any of the Collateral;

(v) buy the Collateral, or any portion thereof, at any public sale;

(vi) buy the Collateral, or any portion thereof, at any private sale if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations;

(vii) apply for the appointment of a receiver for the Collateral, and Debtor hereby consents to any such appointment; and

(viii) at its option, retain the Collateral in satisfaction of the Secured Obligations whenever the circumstances are such that Agent is entitled to do so under the Code or otherwise, to the full extent permitted by the Code, Agent shall be permitted to elect whether such retention shall be in full or partial satisfaction of the Secured Obligations.

In the event Agent shall elect to sell the Collateral, Agent may sell the Collateral without giving any warranties as to the Collateral and shall be permitted to specifically disclaim any warranties of title or the like. Further, if Agent sells any of the Collateral on credit, Debtor will be credited only with payments actually made by the purchaser, received by Agent and applied to the Secured Obligations. In the event the purchaser fails to pay for the Collateral, Agent may resell the Collateral and Debtor shall be credited with the proceeds of the sale. Debtor agrees that

in the event Debtor or any Obligor is entitled to receive any notice under the Code, as it exists in the state governing any such notice, of the sale or other disposition of any Collateral, reasonable notice shall be deemed given when such notice is deposited in a depository receptacle under the care and custody of the United States Postal Service, postage prepaid, at such party's address set forth on the first page hereof, ten (10) days prior to the date of any public sale, or after which a private sale, of any of such Collateral is to be held. Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Application of Proceeds. If any Event of Default shall have occurred and is continuing, Agent may at its discretion apply or use any cash held by Agent as Collateral, and any cash proceeds received by Agent in respect of any sale or other disposition of, collection from, or other realization upon, all or any part of the Collateral as follows in such order and manner as Agent may elect:

(i) to the repayment or reimbursement of the reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by Agent in connection with (A) the administration of the Loan Documents, (B) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral, and (C) the exercise or enforcement of any of the rights and remedies of Agent hereunder;

(ii) to the payment or other satisfaction of any liens and other encumbrances upon the Collateral;

(iii) to the satisfaction of the Secured Obligations;

(iv) to hold such cash and proceeds as Collateral;

(v) to the payment of any other amounts required by applicable law;
and

(vi) by delivery to Debtor or any other party lawfully entitled to receive such cash or proceeds whether by direction of a court of competent jurisdiction or otherwise.

(c) Deficiency. In the event that the proceeds of any sale of, collection from, or other realization upon, all or any part of the Collateral by Agent or any of the Secured Parties are insufficient to pay all amounts to which Agent or the Secured Parties are legally entitled, Debtor and any party who guaranteed or is otherwise obligated to pay all or any portion of the Secured Obligations shall be liable for the deficiency, together with interest thereon as provided in the Loan Documents, to the full extent permitted by the Code.

(d) Non-Judicial Remedies. In granting to Agent the power to enforce the rights hereunder without prior judicial process or judicial hearing, Debtor expressly waives, renounces and knowingly relinquishes any legal right which might otherwise require Agent to enforce their rights by judicial process. Debtor recognizes and concedes that non-judicial remedies are consistent with the usage of trade, are responsive to commercial necessity and are the result of a bargain at arm's length. Nothing herein is intended to prevent Agent or Debtor from resorting to judicial process.

(e) Enforce Intellectual Property Rights. Agent shall have the right to bring suit to enforce Debtors rights in any or all of the intellectual property or licenses thereunder, in which event the Debtor shall, at the request of the Agent, do any and all lawful acts and execute any and all proper documents required by the Agent in aid of such enforcement and the Debtor shall promptly, upon demand, reimburse and indemnify the Agent for all reasonable costs and expenses incurred by the Agent in the exercise of its rights. Notwithstanding the foregoing, the Agent shall have no obligations or liabilities regarding the intellectual property or any portion thereof by reason of, or arising out of, this Agreement.

(f) Other Recourse. Debtor waives any right to require any of the Secured Parties to proceed against any third party, exhaust any Collateral or other security for the Secured Obligations, or to have any third party joined with Debtor in any suit arising out of the Secured Obligations or any of the Loan Documents, or pursue any other remedy available to the Secured Parties. Debtor further waives any and all notice of acceptance of this Agreement and of the creation, modification, rearrangement, renewal or extension of the Secured Obligations. Debtor further waives any defense arising by reason of any disability or other defense of any third party or by reason of the cessation from any cause whatsoever of the liability of any third party. Until all of the Secured Obligations shall have been paid in full, Debtor shall subordinate to the Secured Obligations any right of subrogation. Debtor authorizes the Secured Parties, and without notice or demand and without any reservation of rights against Debtor and without affecting Debtor's liability hereunder or on the Secured Obligations, to (i) take or hold any other property of any type from any third party as security for the Secured Obligations, and exchange, enforce, waive and release any or all of such other property, (ii) apply such other property and direct the order or manner of sale thereof as the Secured Parties may in their discretion determine, (iii) renew, extend, accelerate, modify, compromise, settle or release any of the Secured Obligations or other security for the Secured Obligations, (iv) waive, enforce or modify any of the provisions of any of the Loan Documents executed by any third party, and (v) release or substitute any third party. Further, all of the waivers, consents and agreements of Debtor under the Guaranty are incorporated herein, including without limitation those stated in sections 5 and 6 of the Guaranty.

8. Indemnity. Debtor hereby indemnifies and agrees to hold harmless Agent and the Secured Parties, and their officers, directors, employees, agents and representatives (each an "Indemnified Person") from and against any and all liabilities, obligations, claims, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or

nature (collectively, the "Claims") which may be imposed on, incurred by, or asserted against, any Indemnified Person arising in connection with the Loan Documents, the Secured Obligations or the Collateral (including without limitation, the enforcement of the Loan Documents and the defense of any Indemnified Person's actions and/or inactions in connection with the Loan Documents); provided, however, that the Debtor shall not be liable for any such losses resulting from the gross negligence or willful misconduct of any Indemnified Person. The indemnification provided for in this Section shall survive the termination of this Agreement and shall extend and continue to benefit each individual or entity who is or has at any time been an Indemnified Person hereunder.

9. Miscellaneous.

(a) Entire Agreement. This Agreement, along with the Credit Agreement, the Guaranty, and the Loan Documents, contains the entire agreement of Secured Parties and Debtor with respect to the Collateral. If the parties hereto are parties to any other prior agreement, either written or oral, relating to the Collateral, the terms of this Agreement shall amend and supersede the terms of such prior agreements as to transactions on or after the effective date of this Agreement, but all security agreements, financing statements, guaranties, other contracts and notices for the benefit of Secured Parties shall continue in full force and effect to secure the Secured Obligations unless Agent specifically releases its rights thereunder by separate release; provided that notwithstanding the preceding, to the extent that the terms and provisions of this Agreement conflict with or are inconsistent with the terms of the Credit Agreement, the terms of the Credit Agreement shall control.

(b) Amendment. No modification, consent or amendment of any provision of this Agreement or any of the other Loan Documents shall be valid or effective unless the same is authenticated by the party against whom it is sought to be enforced, except to the extent of amendments specifically permitted by the Code without authentication by the Debtor or any Obligor.

(c) Actions by Secured Parties. The lien, security interest and other security rights of the Secured Parties hereunder shall not be impaired by (i) any renewal, extension, increase or modification with respect to the Secured Obligations, (ii) any surrender, compromise, release, renewal, extension, exchange or substitution which Secured Parties may grant with respect to the Collateral, or (iii) any release or indulgence granted to any endorser, guarantor or surety of the Secured Obligations. The taking of additional security by the Secured Parties shall not release or impair the lien, security interest or other security rights of Secured Parties hereunder or affect the obligations of Debtor hereunder.

(d) Waiver by Agent. Agent may waive any Event of Default without waiving any other prior or subsequent Event of Default. Agent may remedy any default without waiving the Event of Default remedied. Neither the failure by Agent to exercise, nor the delay by Agent in exercising, any right or remedy upon any Event of Default shall be construed as a waiver of such Event of Default or as a waiver of the right to exercise any

such right or remedy at a later date. No single or partial exercise by Agent of any right or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right or remedy hereunder may be exercised at any time. No waiver of any provision hereof or consent to any departure by Debtor therefrom shall be effective unless the same shall be in writing and signed by Agent and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to or demand on Debtor in any case shall of itself entitle Debtor to any other or further notice or demand in similar or other circumstances.

(e) Costs and Expenses. Debtor will upon demand pay to Agent the amount of any and all reasonable costs and expenses (including without limitation, attorneys' fees and expenses), which Agent or any Secured Parties may incur in connection with (i) the transactions which give rise to the Loan Documents, (ii) the preparation of this Agreement and the perfection and preservation of the security interests granted under the Loan Documents, (iii) the administration of the Loan Documents, (iv) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral, (v) the exercise or enforcement of any of the rights of Secured Parties under the Loan Documents, or (vi) the failure by Debtor to perform or observe any of the provisions hereof.

(f) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK OTHER THAN THE CONFLICT OF LAW RULES OF SUCH STATE AND APPLICABLE FEDERAL LAWS, EXCEPT TO THE EXTENT PERFECTION AND THE EFFECT OF PERFECTION OR NON-PERFECTION OF THE SECURITY INTEREST GRANTED HEREUNDER, AND THE ENFORCEMENT OF REMEDIES AGAINST COLLATERAL IN RESPECT OF ANY PARTICULAR COLLATERAL, ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(g) VENUE AND SERVICE OF PROCESS. THE DEBTOR HEREBY IRREVOCABLY AGREES THAT ANY LEGAL ACTION OR PROCEEDING PERTAINING TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF SUCH COURTS. DEBTOR HEREBY IRREVOCABLY AGREES TO THE EXTENT PERMITTED BY LAW THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE MADE BY MAILING, BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, A COPY OF THE SUMMONS AND COMPLAINT, OR OTHER LEGAL PROCESS, IN SUCH ACTION OR PROCEEDING TO THE DEBTOR AT ITS ADDRESS SHOWN ON THE FIRST PAGE HEREOF (OR ANY OTHER ADDRESS OF THE DEBTOR APPEARING ON THE RECORDS OF THE AGENT). SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING, EFFECTED AS AFORESAID, SHALL BE EFFECTIVE

UPON RECEIPT BY THE DEBTOR AND SHALL BE DEEMED PERSONAL SERVICE UPON THE DEBTOR AND SHALL BE LEGAL AND BINDING UPON THE DEBTOR FOR ALL PURPOSES. THE DEBTOR HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT AS WELL AS ANY RIGHT IT MAY NOW OR HEREAFTER HAVE TO REMOVE ANY SUCH ACTION OR PROCEEDING, ONCE COMMENCED, TO ANOTHER COURT ON THE GROUNDS OF FORUM NON CONVENIENS OR OTHERWISE.

(h) WAIVER OF JURY TRIAL. THE DEBTOR, AGENT AND SECURED PARTIES HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY BANKING OR LENDING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

(i) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable, shall not impair or invalidate the remainder of this Agreement and the effect thereof shall be confined to the provision held to be illegal, invalid or unenforceable.

(j) Notices. All notices, requests, demands or other communications required or permitted to be given pursuant to this Agreement shall be in writing and given by (i) personal delivery, (ii) expedited delivery service with proof of delivery, or (iii) United States mail or Canadian post, postage prepaid, registered or certified mail or post, return receipt requested, sent to the intended addressee at the address set forth on the first page hereof or to such different address as the addressee shall have designated by written notice sent pursuant to the terms hereof and shall be deemed to have been received either, in the case of personal delivery, at the time of personal delivery, in the case of expedited delivery service, as of the date of first attempted delivery at the address and in the manner provided herein, or in the case of mail or post, upon deposit in a depository receptacle under the care and custody of the United States Postal Service for United States mail or Canada Post for Canadian post. Either party shall have the right to change its address for notice hereunder to any other location within the continental United States or Canada by notice to the other party of such new address at least thirty (30) days prior to the effective date of such new address.

(k) Binding Effect and Assignment. This Agreement (i) creates a continuing security interest in the Collateral, (ii) shall be binding on Debtor and the successors and assigns of Debtor, and (iii) shall inure to the benefit of Secured Parties and their

successors and assigns. Without limiting the generality of the foregoing, Secured Parties may pledge, assign or otherwise transfer the Secured Obligations and its rights under this Agreement and any of the other Loan Documents to any other party. Debtor's rights and obligations hereunder may not be assigned or otherwise transferred without the prior written consent of Agent.

(l) Cumulative Rights. All rights and remedies of Agent or any of the Secured Parties hereunder are cumulative of each other and of every other right or remedy which Agent or any of the Secured Parties may otherwise have at law or in equity or under any of the other Loan Documents, and the exercise of one or more of such rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of any other rights or remedies. Further, except as specifically noted as a waiver herein, no provision of this Agreement is intended by the parties to this Agreement to waive any rights, benefits or protection afforded to Agent or any of the Secured Parties under the Code.

(m) Limitations on Liability. Notwithstanding anything contained herein to the contrary, the amount of the Secured Obligations secured hereby shall not exceed the amount of the Guaranteed Obligations as limited in the Guaranty.

(n) Gender and Number. Within this Agreement, words of any gender shall be held and construed to include the other gender, and words in the singular number shall be held and construed to include the plural and words in the plural number shall be held and construed to include the singular, unless in each instance the context requires otherwise.

(o) Descriptive Headings. The headings in this Agreement are for convenience only and shall in no way enlarge, limit or define the scope or meaning of the various and several provisions hereof.

EXECUTED as of the date first written above.

DEBTOR:

ATS SYSTEMS OREGON INC.

AGENT:

**THE BANK OF NOVA SCOTIA,
as Administrative Agent**

By: *M Perrella*
Maria Perrella
President and Chief Financial Officer

By: _____
Printed Name: _____
Title: _____

EXECUTED as of the date first written above.


DEBTOR:

ATS SYSTEMS OREGON INC.

By: _____
Maria Perrella
President and Chief Financial Officer

AGENT:

THE BANK OF NOVA SCOTIA,
as Administrative Agent

By:  _____
Printed Name: M. L. STUDE
Title: ASSISTANT VICE PRESIDENT MANAGER

SCHEDULE I**Intellectual Property Subject to Registration Statutes**

Name	File Type	Country or Region	Region/Patent Date	Region/Patent Number
Method and apparatus for illuminating projecting features	Patent	USA	15-Apr-03	US6547409
Method and apparatus for feature detection in a workpiece	Patent	USA	4-Jun-99	US5892808
QUICKSILVER	Trademark	USA	18-May-98	75-486960