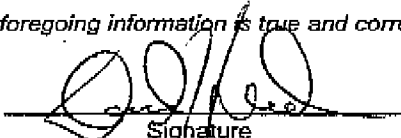


<b>RECORDATION FORM COVER SHEET</b> <b>TRADEMARKS ONLY</b>		U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office
Form PTO-1594 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005) Tab settings ⇨ ⇨ ⇨		
To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.		
<b>1. Name of conveying party(ies):</b> <u>Kimpex, Inc.</u>  <input type="checkbox"/> Individual(s) <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Partnership <input checked="" type="checkbox"/> Corporation-State <u>Quebec (Canada)</u> <input type="checkbox"/> Other _____  Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input type="checkbox"/> No	<b>2. Name and address of receiving party(ies)</b> Name: <u>National Bank of Canada</u> Internal Address: _____  Street Address: <u>595 Blvd. St-Joseph, 2nd F</u> <u>Drummondville (Quebec) J2C 2B6</u> City: _____ State: _____ Zip: _____  <input type="checkbox"/> Individual(s) citizenship _____ <input type="checkbox"/> Association _____ <input type="checkbox"/> General Partnership _____ <input type="checkbox"/> Limited Partnership _____ <input checked="" type="checkbox"/> Corporation-State <u>Canada</u> <input type="checkbox"/> Other _____  <small>If assignee is not domiciled in the United States, a domestic representative designation is attached: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No          (Designations must be a separate document from assignment)          Additional name(s) &amp; address(es) attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</small>	
<b>3. Nature of conveyance:</b> <input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other _____ Execution Date: <u>December 18, 2003</u>	<b>4. Application number(s) or registration number(s):</b> A. Trademark Application No.(s) <u>76/331,904</u> <u>76/229,583</u>  B. Trademark Registration No.(s) <u>1,969,351</u>  Additional number(s) attached <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>5. Name and address of party to whom correspondence concerning document should be mailed:</b> Name: <u>David I. Held, Esq.</u>  Internal Address: _____  Street Address: <u>c/o Brauner Baron et. al.</u> <u>61 Broadway - 18th Floor</u>  City: <u>New York</u> State: <u>NYC</u> Zip: <u>10006</u>	<b>6. Total number of applications and registrations involved:</b> <span style="border: 1px solid black; padding: 2px;">12</span>  <b>7. Total fee (37 CFR 3.41):</b> <u>\$480.00</u>  <input checked="" type="checkbox"/> Enclosed <input type="checkbox"/> Authorized to be charged to deposit account  <b>8. Deposit account number:</b> _____ <small>(Attach duplicate copy of this page if paying by deposit account)</small>	
<b>DO NOT USE THIS SPACE</b>		
<b>9. Statement and signature.</b> <i>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.</i>  <u>David I. Held, Esq.</u> Name of Person Signing  Signature <u>1-5-04</u> Date  <small>Total number of pages including cover sheet, attachments, and document: <span style="border: 1px solid black; padding: 2px;">27</span></small>		

OP \$480.00 76331904

Mail documents to be recorded with required cover sheet information to:  
Commissioner of Patent & Trademarks, Box Assignments  
Washington, D.C. 20231

**ADDITIONAL RECEIVING PARTIES:**

Royal Bank Asset Based Finance,  
A Division of Royal Bank of Canada  
1 Place Ville-Marie  
10<sup>th</sup> floor, Aile Nord  
Montréal (Québec) H3B 4S6  
Canada

**ADDITIONAL TRADEMARK REGISTRATION NUMBERS:**

1,954,337  
1,979,201  
2,258,429  
2,133,615  
2,093,982  
2,642,622  
2,606,504  
2,229,863  
2,120,986

## SECURITY AND PLEDGE AGREEMENT

SECURITY AND PLEDGE AGREEMENT (this "Agreement"), dated as of December 18, 2003, among:

- (i) KIMPEX INC., a Quebec corporation ("**Kimpex Inc.**");
- (ii) KIMPEX (U.S.A.) LTD., a New York corporation ("**Kimpex USA**");
- (iii) any other entity that may become a Debtor hereunder in accordance with Section 29 hereof (each such other entity herein called a "New Debtor");
- (iv) NATIONAL BANK OF CANADA ("**NBC**"); and
- (v) ROYAL BANK ASSET BASED FINANCE, A DIVISION OF ROYAL BANK OF CANADA ("**RBC**").

The Persons listed in clauses (i) through (iii) above shall be collectively referred to herein as the "**Debtors**" and each such Person individually as a "**Debtor**". The Persons listed in clauses (iv) and (v) above shall be collectively referred to herein as the "**Creditors**" and each such Person individually as a "**Creditor**." RBC shall be referred to herein as a "**Creditor**" and as the "**Agent**."

### RECITALS:

A. Kimpex Inc. and the Creditors are entering into a letter agreement dated as of December 18, 2003 (as it may be amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), providing for extensions of credit by the Creditors to Kimpex Inc. in the amounts, and subject to the terms and conditions, specified therein.

B. Kimpex USA will irrevocably and unconditionally guarantee the payment in full when due of all of the obligations of Kimpex Inc. to the Creditors under the Credit Agreement, pursuant to a Guarantee Agreement of even date herewith by Kimpex USA in favor of the Creditors (as it may be amended, restated, supplemented or otherwise modified from time to time, the "**Guarantee**").

C. The Debtors are members of an affiliated group of companies that are engaged in related businesses and are part of a common business enterprise. The Debtors will derive substantial direct and indirect benefits from the extensions of credit under the Credit Agreement.

D. The execution and delivery of this Agreement and the grant by the Debtors to the Creditors of security interests in the Collateral specified herein constitute conditions precedent to the obligation of the Creditors to extend credit to Kimpex Inc. pursuant to the terms and conditions of the Credit Agreement.

ACCORDINGLY, in consideration of the premises and in order to induce the Creditors to enter into the Credit Agreement and to extend credit to Kimpex Inc. thereunder, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Debtors hereby agree with the Creditors as follows:

1. Defined Terms. (a) The following terms have the following meanings:

“**Accounts**” means all accounts receivable, book debts, notes, drafts, instruments, documents, acceptances and other forms of obligations now owned or hereafter received or acquired by or belonging or owing to any of the Debtors (including, without limitation, under any trade names, styles or divisions thereof), whether arising from (a) the sale, lease, licensing, assignment or other disposition of goods by any of the Debtors, (b) services rendered or to be rendered by any of the Debtors, (c) a policy of insurance issued or to be issued by any of the Debtors, (d) a secondary obligation incurred or to be incurred by any of the Debtors, or (f) any other transaction, whether or not the same involves any of the foregoing (including, without limitation, any such obligation which would be characterized as an account, general intangible, instrument or chattel paper under the Uniform Commercial Code) and all of the Debtors’ respective rights in, to and under all purchase orders now owned or hereafter received or acquired by them for goods or services, and all of the Debtors’ respective rights to any goods represented by any of the foregoing (including returned or repossessed goods and unpaid seller’s rights) and all moneys due or to become due to any of the Debtors under all contracts for the sale of goods and/or the performance of services by any of the Debtors (whether or not yet earned by performance) or in connection with any other transaction, now in existence or hereafter arising, including without limitation the right to receive the proceeds of said purchase orders and contracts, and all supporting obligations of any kind given by any person or entity with respect to any of the foregoing.

“**Agent**” has the meaning specified in the preamble to this Agreement.

“**Chattel Paper**” means any “chattel paper”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

“**Collateral**” has the meaning specified in Section 2.

“**Commercial Tort Claims**” means any “commercial tort claims”, as such term is defined in the Uniform Commercial Code, now existing and described in Schedule VI hereto or hereafter arising and described in written notices delivered by any Debtor to the Creditors from time to time.

“**Contracts**” means all contracts to which any Debtor is, or may at any time hereafter become, a party and all agreements and undertakings of any third parties in favor or for the benefit of any Debtor.

“**Contract Rights**” means any right of a Debtor to payment under a Contract not yet earned by performance and not evidenced by an Instrument or Chattel Paper, now in existence or hereafter arising (including, without limitation, (a) all rights of such Debtor to receive moneys

due and to become due to it thereunder or in connection therewith, (b) all rights of such Debtor to damages arising out of, or for, breach or default in respect thereof and (c) all rights of such Debtor to perform and to exercise all remedies thereunder).

**“Copyrights”** means all of the following to the extent that any Debtor now has or hereafter acquires any right, title or interest therein: (i) all copyrights in all works, whether published or unpublished, now existing or hereafter created or acquired, including without limitation those listed on Schedule IV if any, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Copyright Office, and (ii) all renewals thereof.

**“Copyright Licenses”** means any agreement, written or oral, naming any Debtor as licensor or licensee, granting any right to use any Copyright, now in existence or hereafter arising, including without limitation any listed on Schedule IV if any.

**“Credit Agreement”** has the meaning specified in Recital A.

**“Credit Documents”** means collectively the Credit Agreement, the Guarantee, this Security Agreement, and all related instruments, documents or agreements.

**“Creditor”** and **“Creditors”** have the respective meanings specified in the preamble to this Agreement.

**“Debtor”** and **“Debtors”** have the respective meanings specified in the preamble to this Agreement.

**“Deposit Account”** means any “deposit account”, as such term is defined in the Uniform Commercial Code, now or at any time hereafter maintained by any Debtor, including without limitation the deposit accounts listed in Schedule VII hereto.

**“Documents”** means any “documents”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**“Equipment”** means all machinery, equipment and furniture now owned or hereafter acquired by any Debtor or in which any Debtor now has or hereafter may acquire any right, title or interest, and any and all additions, substitutions and replacements thereof, wherever located, together with all attachments, components, parts, equipment and accessories installed therein or affixed thereto, including, but not limited to, all “equipment”, as such term is defined in the Uniform Commercial Code.

**“Event of Default”** means any event that constitutes a default under the Credit Agreement.

**“Financial Asset”** means any “financial asset”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

“**Fixtures**” means any “**fixture**”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

“**General Intangibles**” means any “**general intangibles**”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

“**Goods**” means any “**goods**”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

“**Guarantee**” has the meaning specified in Recital B.

“**Instrument**” means any “**instrument**”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

“**Intellectual Property**” means, collectively, Patents, Patent Licenses, Trademarks, Trademark Licenses, Copyrights and Copyright Licenses.

“**Inventory**” means all inventory, wherever located, now owned or hereafter acquired by any Debtor or in which such Debtor now has or hereafter may acquire any right, title or interest, including, without limitation, all goods and other personal property now or hereafter owned by any Debtor which are held for sale or lease or are furnished or are to be furnished under a contract of service or which constitute raw materials, work in process or materials used or consumed or to be used or consumed in such Debtor’s business, or in the processing, packaging or shipping of the same, and all finished goods, including, but not limited to, all “**inventory**” as such term is defined in the Uniform Commercial Code.

“**Investment Property**” means any “**investment property**”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

“**Issuer**” means each issuer of Pledged Shares.

“**Kimpex Inc.**” has the meaning specified in the preamble to this Agreement.

“**Kimpex USA**” has the meaning specified in the preamble to this Agreement.

“**Leases**” means all leasehold interests now or at any time hereafter held by any Debtor.

“**Letter of Credit Rights**” means any Debtor’s right to payment or performance under any letter of credit, whether now existing or hereafter issued, whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance, including without limitation any “**letter of credit right**”, as such term is defined in the Uniform Commercial Code, whether now existing or hereafter created and whether now owned or hereafter acquired by such Debtor.

“**Licenses**” and “**Licensing Agreements**” means the Patent Licenses, the Copyright Licenses and the Trademark Licenses.

**“Lien”** means any mortgage, pledge, hypothecation, assignment, security deposit arrangement, encumbrance, lien (whether statutory, consensual or otherwise), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

**“Material Adverse Effect”** means a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of any Debtor, (b) any Debtor’s ability to perform its obligations under this Agreement or any other Credit Document or (c) the validity or enforceability (against any Debtor) of this Agreement or any other Credit Document, or of any of the rights or remedies of the Creditors hereunder or thereunder.

**“New Debtor”** has the meaning specified in the preamble to this Agreement.

**“Obligations”** means (a) all indebtedness, liabilities and obligations of any Debtor to either Creditor present or future, direct or indirect, absolute or contingent under or relating to any Credit Document, including without limitation the obligation of Kimpex Inc. to repay the principal amount of all loans made to it under the Credit Agreement in full when due, to pay interest thereon at the rates and on the dates specified in the Credit Agreement, and to pay the fees specified in the Credit Agreement in full when due at the rates and on the dates specified therein, and the Debtors’ respective obligations to indemnify the Creditors, and to pay costs and expenses, as provided herein or in any other Credit Document, and (b) all indebtedness, liabilities and obligations of any Debtor relating to or arising out of or in connection with any interest rate swap, cap or collar agreement, currency exchange rate swap agreement, treasury instrument swap agreement, or similar arrangement between such Debtor and either Creditor providing for the transfer or mitigation of interest or exchange risks either generally or under specific contingencies.

**“Patents”** means (i) all patents and patent applications and the inventions and improvements described and claimed therein, and all patentable inventions, now owned or hereafter acquired or obtained by any Debtor, (ii) all registrations and recordings thereof, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, including without limitation those listed on Schedule IV, (iii) all reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing, (iv) all income, royalties, damages or payments now and hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing, (v) the right to sue for past, present and future infringements of any of the foregoing throughout the world, and (vi) all rights and obligations pursuant to any Patent License with respect thereto, whether such Debtor is a licensor or licensee under any such Patent License, and, subject to the terms of such licenses, such right to prepare for sale, sell and advertise for sale, all inventory now or hereafter owned by any Debtor and now or hereafter covered by such licenses.

**"Patent License"** means any agreement, written or oral, providing for the grant by or to any Debtor of any right to use any Patent, now in existence or hereafter arising, including without limitation those listed on Schedule IV.

**"Permitted Lien"** means Liens on the Collateral permitted under the Credit Agreement.

**"Person"** means any individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

**"Pledged Collateral"** means the Collateral described in Section 2(g).

**"Pledged Shares"** means all of the equity interests now or at any time hereafter owned by any Debtor in any other entity, including without limitation those listed in Schedule III, together with all certificates evidencing such equity interests.

**"Proceeds"** means (i) all **"proceeds"**, as such term is defined in the Uniform Commercial Code, and (ii) to the extent not included in such definition, (1) any and all proceeds of any insurance, indemnity, warranty, guaranty or letter of credit payable to any Debtor from time to time with respect to any of the Collateral, (2) all payments (in any form whatsoever) paid or payable to any Debtor from time to time in connection with any taking of all or any part of the Collateral by any governmental authority (or any Person acting under color of governmental authority), (3) all judgments in favor of any Debtor in respect of the Collateral, (4) any claim of any Debtor against third parties for past, present or future infringement or dilution of any Patent or Patent License, Trademark or Trademark License, Copyright or Copyright License and (5) all other amounts from time to time paid or payable or received or receivable under or in connection with any of the Collateral.

**"Supporting Obligation"** means any **"supporting obligation"**, as such term is defined in the Uniform Commercial Code, whether now existing or hereafter created and whether now owned or hereafter acquired by any Debtor.

**"Trademarks"** means (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired by any Debtor, all registrations and recordings thereof, including without limitation those listed on Schedule IV, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and (ii) all renewals thereof.

**"Trademark Licenses"** means any agreement, written or oral, providing for the grant by or to any Debtor of any right to use any Trademark, now in existence or hereafter arising, including without limitation those listed on Schedule IV.



“Uniform Commercial Code” means the Uniform Commercial Code as in effect from time to time in the State of New York or, if the context expressly refers to another jurisdiction, the Uniform Commercial Code as in effect from time to time in such other jurisdiction.

“Vehicles” means all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state, in which any Debtor has or hereafter acquires any right, title or interest, and all tires and other appurtenances to any of the foregoing.

(b) Unless otherwise expressly specified herein, defined terms denoting the singular number shall, when in the plural form, denote the plural number of the matter or item to which such defined terms refer, and vice-versa.

(c) Words of the neuter gender mean and include correlative words of the masculine and feminine gender.

(d) The Section and Schedule headings used in this Agreement are for convenience only and shall not affect the construction or meaning of any provisions of this Agreement.

(e) Unless otherwise specified, the words “hereof”, “herein”, “hereunder” and other similar words refer to this Agreement as a whole and not just to the Section, subsection or clause in which they are used; and the words “this Agreement” refer to this Agreement as amended, modified or supplemented from time to time.

(f) Unless otherwise specified, references to Sections, Recitals and Schedules are references to Sections of, and Recitals and Schedules to, this Agreement.

2. Security Interest. As security for the due and punctual payment and performance of all of the Obligations, each Debtor hereby pledges and assigns to each Creditor, and hereby grants to each Creditor a lien upon and a continuing security interest in, all of such Debtor’s rights, title and interests in, to and under all personal property and fixtures of such Debtor, whether now owned or hereafter acquired and wherever located, and whether now existing or hereafter arising or created (all such property and assets are herein collectively called the “Collateral”), including, without limitation, the following:

- (a) all Accounts of such Debtor;
- (b) all Inventory of such Debtor;
- (c) all Equipment of such Debtor, including, without limitation, all Vehicles of such Debtor;
- (d) all Contracts and Contract Rights of such Debtor;
- (e) all Instruments and Chattel Paper of such Debtor;

(f) all General Intangibles of such Debtor, including, without limitation, all Intellectual Property of such Debtor;

(g) all Investment Property and other Financial Assets of such Debtor, including, without limitation, (i) the Pledged Shares, (ii) all cash, instruments, securities or other property representing a dividend or other distribution on any of the Pledged Shares, or representing a distribution or return of capital upon or in respect of the Pledged Shares, or resulting from a split-up, revision, reclassification or other like change of the Pledged Shares or otherwise received in exchange therefor, (iii) any warrants, rights or options issued to the holders of, or otherwise in respect of, the Pledged Shares, and (iv) in the event of any consolidation or merger of any Issuer in which such Issuer is not the surviving corporation, all shares of each class of the capital stock of the successor corporation formed by or resulting from such consolidation or merger (provided that nothing herein contained shall be deemed to constitute consent under, or waiver of, any provision of any Credit Document which prohibits such consolidation or merger by any Issuer);

(h) all Leases of such Debtor;

(i) all Fixtures of such Debtor;

(j) all Deposit Accounts of such Debtor;

(k) all Letter of Credit Rights of such Debtor;

(l) all Commercial Tort Claims of such Debtor;

(m) all Supporting Obligations that may now or at any time hereafter support the payment or performance of any Account, General Intangible, Chattel Paper, Document, Instrument or Investment Property of such Debtor;

(n) all books and records (including, without limitation, computer programs, tapes and related electronic data processing software) relating to such Debtor's Accounts, Inventory, Equipment, Contracts, Intellectual Property, Investment Property, Financial Assets, Deposit Accounts, Letter of Credit Rights, Commercial Tort Claims or other assets; and

(o) to the extent not otherwise included, all cash and non-cash Proceeds and products of any of the foregoing.

3. Obligations Absolute. (a) Each Debtor hereby agrees that this Agreement shall be binding upon such Debtor, and the grant to the Creditors of security interests in the Collateral hereunder shall be irrevocable and unconditional, irrespective of the validity, legality or enforceability of any Credit Document or any of the Obligations, the absence of any action to enforce the same, the waiver or consent by either Creditor with respect to any provision thereof, the recovery of any judgment against any other Person, or any action to enforce the same or any other similar circumstances. Each Debtor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of such Debtor, any notice to require a proceeding first against any other Person, protest or notice with respect to any

**[Signature pages to Security and Pledge Agreement dated as of December 19, 2003]**

IN WITNESS WHEREOF, each Debtor has caused this Agreement to be duly executed and delivered by its duly authorized officer as of the date first above written.


Address for Notices to all Debtors:

5355 St-Roch Street  
Drummondville, Québec  
Canada, J2B 6V4

Fax: (819) 474-8262

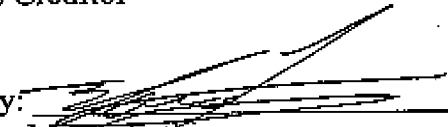
Tel: (819) 472-3326  
Attention: Gilles Soucy

KIMPEX INC.  
KIMPEX (U.S.A.) LTD.

By:   
Gilles Soucy  
President

Acknowledged and accepted:

NATIONAL BANK OF CANADA,  
as Creditor

By:   
Marco Letnicq  
Account Manager

ROYAL BANK ASSET BASED FINANCE,  
A DIVISION OF ROYAL BANK OF CANADA,  
as Creditor and as Agent

By:   
Name:  
Title:

Schedule IV to  
Security and Pledge Agreement

SCHEDULE OF INTELLECTUAL PROPERTY

All of the patents, trademarks, copyrights and related applications and licenses listed below are owned by Kimpex Inc.

Patents:

Track for a vehicle (registration number D376,996 (December 31 , 1996)

Patent Applications:

Method of making snowmobile tracks (application number 08/816,705 (March 1997)

Patent Licenses:

NIL

Trademarks:

- AGGRESSOR (registration number 1,969,351)
- BIGHORN (registration number 1,954,337)
- BIGHORN & DESIGN (registration number 1,979,201)
- DRYCELL (registration number 2,258,429)
- KIMPEX (registration number 2,133,615)
- KIMPEX & DESIGN (registration number 2,093,982)
- PRO-GOLD (registration number 2,642,622)
- RHYNO & DESIGN (registration number 2,606,504)
- VANTAGE (registration number 2,229,863)
- WAVESPORT & DESIGN (registration number 2,120,986)

Trademark Applications:

- AIR COMBAT (registration number 76/331,904)
- X-TRAIL (registration number 76/229,583)

Trademark Licenses:

NIL

Copyrights:

NIL

**Copyright Applications:**

NIL

**Copyright Licenses:**

NIL

Schedule V to  
Security and Pledge Agreement

SCHEDULE OF FILING OFFICES

Name of Company	Filing Offices
Kimpex Inc.	Washington, D.C., Recorder of Deeds
Kimpex (U.S.A.) Ltd.	New York State Secretary of State

## SECURITY AND PLEDGE AGREEMENT

SECURITY AND PLEDGE AGREEMENT (this "Agreement"), dated as of December 18, 2003, among:

- (i) KIMPEX INC., a Quebec corporation ("Kimpex Inc.");
- (ii) KIMPEX (U.S.A.) LTD., a New York corporation ("Kimpex USA");
- (iii) any other entity that may become a Debtor hereunder in accordance with Section 29 hereof (each such other entity herein called a "New Debtor"); and
- (iv) NATIONAL BANK OF CANADA (the "Creditor").

The Persons listed in clauses (i) through (iii) above shall be collectively referred to herein as the "Debtors" and individually as a "Debtor".

### RECITALS:

A. Kimpex Inc. and the Creditor are entering into a Credit Agreement dated as of December 18, 2003 (as it may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), providing for extensions of credit by the Creditor to Kimpex Inc. in the amounts, and subject to the terms and conditions, specified therein.

B. Kimpex Inc. will use the proceeds of loans made to it under the Credit Agreement in part to finance the operations of Kimpex USA.

B. Kimpex USA will irrevocably and unconditionally guarantee the payment in full when due of all of the obligations of Kimpex Inc. to the Creditor under the Credit Agreement, pursuant to a Guarantee Agreement of even date herewith by Kimpex USA in favor of the Creditor (as they may be amended, restated, supplemented or otherwise modified from time to time, the "Guarantee").

C. The Debtors are members of an affiliated group of companies that are engaged in related businesses and are part of a common business enterprise. The Debtors will derive substantial direct and indirect benefits from the extensions of credit under the Credit Agreement.

D. The execution and delivery of this Agreement and the grant by the Debtors to the Creditor of security interests in the Collateral specified herein constitute conditions precedent to the obligation of the Creditor to extend credit to Kimpex Inc. pursuant to the terms and conditions of the Credit Agreement.

ACCORDINGLY, in consideration of the premises and in order to induce the Creditor to enter into the Credit Agreement and to extend credit to Kimpex Inc. thereunder, and

for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Debtors hereby agree with the Creditor as follows:

1. Defined Terms. (a) The following terms have the following meanings:

**"Accounts"** means all accounts receivable, book debts, notes, drafts, instruments, documents, acceptances and other forms of obligations now owned or hereafter received or acquired by or belonging or owing to any of the Debtors (including, without limitation, under any trade names, styles or divisions thereof), whether arising from (a) the sale, lease, licensing, assignment or other disposition of goods by any of the Debtors, (b) services rendered or to be rendered by any of the Debtors, (c) a policy of insurance issued or to be issued by any of the Debtors, (d) a secondary obligation incurred or to be incurred by any of the Debtors, or (e) any other transaction, whether or not the same involves any of the foregoing (including, without limitation, any such obligation which would be characterized as an account, general intangible, instrument or chattel paper under the Uniform Commercial Code) and all of the Debtors' respective rights in, to and under all purchase orders now owned or hereafter received or acquired by them for goods or services, and all of the Debtors' respective rights to any goods represented by any of the foregoing (including returned or repossessed goods and unpaid seller's rights) and all moneys due or to become due to any of the Debtors under all contracts for the sale of goods and/or the performance of services by any of the Debtors (whether or not yet earned by performance) or in connection with any other transaction, now in existence or hereafter arising, including without limitation the right to receive the proceeds of said purchase orders and contracts, and all supporting obligations of any kind given by any person or entity with respect to any of the foregoing.

**"Chattel Paper"** means any **"chattel paper"**, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**"Collateral"** has the meaning specified in Section 2.

**"Commercial Tort Claims"** means any **"commercial tort claims"**, as such term is defined in the Uniform Commercial Code, now existing and described in Schedule VI hereto or hereafter arising and described in written notices delivered by any Debtor to the Creditor from time to time.

**"Contracts"** means all contracts to which any Debtor is, or may at any time hereafter become, a party and all agreements and undertakings of any third parties in favor or for the benefit of any Debtor.

**"Contract Rights"** means any right of a Debtor to payment under a Contract not yet earned by performance and not evidenced by an Instrument or Chattel Paper, now in existence or hereafter arising (including, without limitation, (a) all rights of such Debtor to receive moneys due and to become due to it thereunder or in connection therewith, (b) all rights of such Debtor to damages arising out of, or for, breach or default in respect thereof and (c) all rights of such Debtor to perform and to exercise all remedies thereunder).



**"Copyrights"** means all of the following to the extent that any Debtor now has or hereafter acquires any right, title or interest therein: (i) all copyrights in all works, whether published or unpublished, now existing or hereafter created or acquired, including without limitation those listed on Schedule IV if any, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Copyright Office, and (ii) all renewals thereof.

**"Copyright Licenses"** means any agreement, written or oral, naming any Debtor as licensor or licensee, granting any right to use any Copyright, now in existence or hereafter arising, including without limitation those listed on Schedule IV if any.

**"Credit Agreement"** has the meaning specified in Recital A.

**"Credit Documents"** means collectively the Credit Agreement, the Guarantee, this Security Agreement, and all related instruments, documents or agreements.

**"Creditor"** has the meaning specified in the preamble to this Agreement.

**"Debtor"** and **"Debtors"** have the respective meanings specified in the preamble to this Agreement.

**"Deposit Account"** means any "deposit account", as such term is defined in the Uniform Commercial Code, now or at any time hereafter maintained by any Debtor, including without limitation the deposit accounts listed in Schedule VII hereto.

**"Documents"** means any "documents", as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**"Equipment"** means all machinery, equipment and furniture now owned or hereafter acquired by any Debtor or in which any Debtor now has or hereafter may acquire any right, title or interest, and any and all additions, substitutions and replacements thereof, wherever located, together with all attachments, components, parts, equipment and accessories installed therein or affixed thereto, including, but not limited to, all "equipment", as such term is defined in the Uniform Commercial Code.

**"Event of Default"** means any event that constitutes a default under Section [13] of the Credit Agreement.

**"Financial Asset"** means any "financial asset", as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**"Fixtures"** means any "fixture", as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**"General Intangibles"** means any "general intangibles", as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**"Goods"** means any "goods", as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**"Guarantees"** has the meaning specified in Recital B.

**"Instrument"** means any "instrument", as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**"Intellectual Property"** means, collectively, Patents, Patent Licenses, Trademarks, Trademark Licenses, Copyrights and Copyright Licenses.

**"Inventory"** means all inventory, wherever located, now owned or hereafter acquired by any Debtor or in which such Debtor now has or hereafter may acquire any right, title or interest, including, without limitation, all goods and other personal property now or hereafter owned by any Debtor which are held for sale or lease or are furnished or are to be furnished under a contract of service or which constitute raw materials, work in process or materials used or consumed or to be used or consumed in such Debtor's business, or in the processing, packaging or shipping of the same, and all finished goods, including, but not limited to, all "inventory" as such term is defined in the Uniform Commercial Code.

**"Investment Property"** means any "investment property", as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**"Issuer"** means each issuer of Pledged Shares.

**"Kimpex Inc."** has the meaning specified in the preamble to this Agreement.

**"Kimpex U.S.A."** has the meaning specified in the preamble to this Agreement.

**"Leases"** means all leasehold interests now or at any time hereafter held by any Debtor.

**"Letter of Credit Rights"** means any Debtor's right to payment or performance under any letter of credit, whether now existing or hereafter issued, whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance, including without limitation any "letter of credit right", as such term is defined in the Uniform Commercial Code, whether now existing or hereafter created and whether now owned or hereafter acquired by such Debtor.

**"Licenses" and "Licensing Agreements"** means the Patent Licenses, the Copyright Licenses and the Trademark Licenses.

**"Lien"** has the meaning ascribed to the word "charge" in the Credit Agreement.

**"Material Adverse Effect"** means a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of any Debtor, (b) any Debtor's ability

to perform its obligations under this Agreement or any other Credit Document or (c) the validity or enforceability (against any Debtor) of this Agreement or any other Credit Document, or of any of the rights or remedies of the Creditor hereunder or thereunder.

**"New Debtor"** has the meaning specified in the preamble to this Agreement.

**"Obligations"** means (a) all indebtedness, liabilities and obligations of any Debtor to the Creditor present or future, direct or indirect, absolute or contingent under or relating to any Credit Document, including without limitation the obligation of Kimpex Inc. to repay the principal amount of all loans made to it under the Credit Agreement in full when due, to pay interest thereon at the rates and on the dates specified in the Credit Agreement, and to pay the fees specified in the Credit Agreement in full when due at the rates and on the dates specified therein, and the Debtors' respective obligations to indemnify the Creditor, and to pay costs and expenses, as provided herein or in any other Credit Document, and (b) all indebtedness, liabilities and obligations of any Debtor relating to or arising out of or in connection with any interest rate swap, cap or collar agreement, currency exchange rate swap agreement, treasury instrument swap agreement, or similar arrangement between such Debtor and the Creditor providing for the transfer or mitigation of interest or exchange risks either generally or under specific contingencies.

**"Patents"** means (i) all patents and patent applications and the inventions and improvements described and claimed therein, and all patentable inventions, now owned or hereafter acquired or obtained by any Debtor, (ii) all registrations and recordings thereof, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, including without limitation those listed on Schedule IV, (iii) all reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing, (iv) all income, royalties, damages or payments now and hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing, (v) the right to sue for past, present and future infringements of any of the foregoing throughout the world, and (vi) all rights and obligations pursuant to any Patent License with respect thereto, whether such Debtor is a licensor or licensee under any such Patent License, and, subject to the terms of such licenses, such right to prepare for sale, sell and advertise for sale, all inventory now or hereafter owned by any Debtor and now or hereafter covered by such licenses.

**"Patent License"** means any agreement, written or oral, providing for the grant by or to any Debtor of any right to use any Patent, now in existence or hereafter arising, including without limitation those listed on Schedule IV.

**"Permitted Lien"** has the meaning ascribed to the word "charge premise" in the Credit Agreement.

**"Person"** means any individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

**"Pledged Collateral"** means the Collateral described in Section 2(g).

**"Pledged Shares"** means all of the equity interests now or at any time hereafter owned by any Debtor in any other entity, including without limitation those listed in Schedule III, together with all certificates evidencing such equity interests.

**"Proceeds"** means (i) all "proceeds", as such term is defined in the Uniform Commercial Code, and (ii) to the extent not included in such definition, (1) any and all proceeds of any insurance, indemnity, warranty, guaranty or letter of credit payable to any Debtor from time to time with respect to any of the Collateral, (2) all payments (in any form whatsoever) paid or payable to any Debtor from time to time in connection with any taking of all or any part of the Collateral by any governmental authority (or any Person acting under color of governmental authority), (3) all judgments in favor of any Debtor in respect of the Collateral, (4) any claim of any Debtor against third parties for past, present or future infringement or dilution of any Patent or Patent License, Trademark or Trademark License, Copyright or Copyright License and (5) all other amounts from time to time paid or payable or received or receivable under or in connection with any of the Collateral.

**"Supporting Obligation"** means any "supporting obligation", as such term is defined in the Uniform Commercial Code, whether now existing or hereafter created and whether now owned or hereafter acquired by any Debtor.

**"Trademarks"** means (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired by any Debtor, all registrations and recordings thereof, including without limitation those listed on Schedule IV, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and (ii) all renewals thereof.

**"Trademark Licenses"** means any agreement, written or oral, providing for the grant by or to any Debtor of any right to use any Trademark, now in existence or hereafter arising, including without limitation those listed on Schedule IV.

**"Uniform Commercial Code"** means the Uniform Commercial Code as in effect from time to time in the State of New York or, if the context expressly refers to another jurisdiction, the Uniform Commercial Code as in effect from time to time in such other jurisdiction.

**"Vehicles"** means all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state, in which any Debtor has or hereafter acquires any right, title or interest, and all tires and other appurtenances to any of the foregoing.

(b) Unless otherwise expressly specified herein, defined terms denoting the singular number shall, when in the plural form, denote the plural number of the matter or item to which such defined terms refer, and vice-versa.

(c) Words of the neuter gender mean and include correlative words of the masculine and feminine gender.

(d) The Section and Schedule headings used in this Agreement are for convenience only and shall not affect the construction or meaning of any provisions of this Agreement.

(e) Unless otherwise specified, the words "hereof", "herein", "hereunder" and other similar words refer to this Agreement as a whole and not just to the Section, subsection or clause in which they are used; and the words "this Agreement" refer to this Agreement as amended, modified or supplemented from time to time.

(f) Unless otherwise specified, references to Sections, Recitals and Schedules are references to Sections of, and Recitals and Schedules to, this Agreement.

2. Security Interest. As security for the due and punctual payment and performance of all of the Obligations, each Debtor hereby pledges and assigns to the Creditor, and hereby grants to the Creditor a lien upon and a continuing security interest in, all of such Debtor's rights, title and interests in, to and under all personal property and fixtures of such Debtor, whether now owned or hereafter acquired and wherever located, and whether now existing or hereafter arising or created (all such property and assets are herein collectively called the "Collateral"), including, without limitation, the following:

- (a) all Accounts of such Debtor;
- (b) all Inventory of such Debtor;
- (c) all Equipment of such Debtor, including, without limitation, all Vehicles of such Debtor;
- (d) all Contracts and Contract Rights of such Debtor;
- (e) all Instruments and Chattel Paper of such Debtor;
- (f) all General Intangibles of such Debtor, including, without limitation, all Intellectual Property of such Debtor;
- (g) all Investment Property and other Financial Assets of such Debtor, including, without limitation, (i) the Pledged Shares, (ii) all cash, instruments, securities or other property representing a dividend or other distribution on any of the Pledged Shares, or representing a distribution or return of capital upon or in respect of the Pledged Shares, or resulting from a split-up, revision, reclassification or other like change of the Pledged Shares or otherwise received in exchange therefor, (iii) any warrants, rights or options issued to the holders of, or otherwise in

respect of, the Pledged Shares, and (iv) in the event of any consolidation or merger of any Issuer in which such Issuer is not the surviving corporation, all shares of each class of the capital stock of the successor corporation formed by or resulting from such consolidation or merger (provided that nothing herein contained shall be deemed to constitute consent under, or waiver of, any provision of any Credit Document which prohibits such consolidation or merger by any Issuer);

(h) all Leases of such Debtor;

(i) all Fixtures of such Debtor;

(j) all Deposit Accounts of such Debtor;

(k) all Letter of Credit Rights of such Debtor;

(l) all Commercial Tort Claims of such Debtor;

(m) all Supporting Obligations that may now or at any time hereafter support the payment or performance of any Account, General Intangible, Chattel Paper, Document, Instrument or Investment Property of such Debtor;

(n) all books and records (including, without limitation, computer programs, tapes and related electronic data processing software) relating to such Debtor's Accounts, Inventory, Equipment, Contracts, Intellectual Property, Investment Property, Financial Assets, Deposit Accounts, Letter of Credit Rights, Commercial Tort Claims or other assets; and

(o) to the extent not otherwise included, all cash and non-cash Proceeds and products of any of the foregoing.

3. Obligations Absolute. (a) Each Debtor hereby agrees that this Agreement shall be binding upon such Debtor, and the grant to the Creditor of security interests in the Collateral hereunder shall be irrevocable and unconditional, irrespective of the validity, legality or enforceability of any Credit Document or any of the Obligations, the absence of any action to enforce the same, the waiver or consent by the Creditor with respect to any provision thereof, the recovery of any judgment against any other Person, or any action to enforce the same or any other similar circumstances. Each Debtor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of such Debtor, any notice to require a proceeding first against any other Person, protest or notice with respect to any promissory note or other evidence of indebtedness secured hereby or the indebtedness evidenced thereby and all demands whatsoever, and covenants that this Agreement will remain in full force and effect so long as Kimpex Inc. may borrow under the Credit Agreement or any Obligations remain unpaid.

(a) Each Debtor agrees that, without notice to or further assent by such Debtor, the liability of any other Person for or upon any of the Obligations may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised or released by the Creditor, as the Creditor may deem advisable, and that any other Collateral or liens, security

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[Signature pages to Security and Pledge Agreement dated as of December 18, 2003]

IN WITNESS WHEREOF, each Debtor has caused this Agreement to be duly executed and delivered by its duly authorized officer as of the date first above written.

Address for Notices to all Debtors:

KIMPEX INC.  
KIMPEX (U.S.A.) LTD.

5355 St-Roch Street  
Drummondville, Québec  
Canada, J2B 6V4

Fax: (819) 474-8262

Tel: (819) 472-3326  
Attention: Gilles Soucy

By:   
Gilles Soucy  
President

Acknowledged and accepted:

NATIONAL BANK OF CANADA,  
as Creditor

By:   
Marco Lethiecq  
Account Manager

By:   
Name:  
Title:

Schedule IV to  
Security and Pledge Agreement

SCHEDULE OF INTELLECTUAL PROPERTY

All of the patents, trademarks, copyrights and related applications and licenses listed below are owned by Kimpex Inc.

Patents:

Track for a vehicle (registration number D376,996 (December 31 , 1996)

Patent Applications:

Method of making snowmobile tracks (application number 08/816,705 (March 1997)

Patent Licenses:

NIL

Trademarks:

- AGGRESSOR (registration number 1,969,351)
- BIGHORN (registration number 1,954,337)
- BIGHORN & DESIGN (registration number 1,979,201)
- DRYCELL (registration number 2,258,429)
- KIMPEX (registration number 2,133,615)
- KIMPEX & DESIGN (registration number 2,093,982)
- PRO-GOLD (registration number 2,642,622)
- RHYNO & DESIGN (registration number 2,606,504)
- VANTAGE (registration number 2,229,863)
- WAVESPORT & DESIGN (registration number 2,120,986)

Trademark Applications:

- AIR COMBAT (registration number 76/331,904)
- X-TRAIL (registration number 76/229,583)

Trademark Licenses:

NIL

Copyrights:



NIL

Copyright Applications:

NIL

Copyright Licenses:

NIL

Schedule V to  
Security and Pledge Agreement

SCHEDULE OF FILING OFFICES

Name of Company:	Filing Offices:
Kimpex Inc.	Washington, D.C., Recorder of Deeds
Kimpex (U.S.A.) Ltd.	New York State Secretary of State