

**TAB D**

## SECURITY AGREEMENT

**TO: Name of Agent:** WESTLB AG, TORONTO BRANCH,  
as Administrative Agent for  
the Secured Parties (as each such  
term is defined below)

**Address:** Suite 2301, Box 41  
Royal Bank Plaza, North Tower  
200 Bay Street  
Toronto, Ontario  
M5J 2J1

**Attention:** Robert Dyck

**Facsimile:** 416.216.5020

### **RECITALS:**

A. **THE ROSSEAU RESORT DEVELOPMENTS INC.** (the "Debtor"), **WESTLB AG, TORONTO BRANCH** and the other lenders from time to time parties thereto (such lenders, together with their successors and assigns, being collectively referred to as the "Lenders"), and **WESTLB AG, TORONTO BRANCH**, as administrative agent for the Secured Parties (in such capacity, together with its successors and assigns in such capacity, the "Agent"), are parties to a credit agreement dated as of February 1, 2007 (such credit agreement, as it may be amended, supplemented or otherwise modified or restated from time to time, referred to as the "Credit Agreement").

B. To secure the payment and performance of the Obligations (this term, and other capitalized terms used in this Agreement, have the meanings set forth in Section 1), the Debtor has agreed to grant to the Agent, for its own benefit and for the benefit of the Secured Parties, security interests over the Collateral in accordance with the terms of this Agreement.

For good and valuable consideration, the receipt and adequacy of which are acknowledged by the Debtor, the Debtor agrees with and in favour of the Agent, for its own benefit and for the benefit of the Secured Parties, as follows:

1. **Definitions.** In this Agreement, capitalized terms which are not otherwise defined have the meanings given to such terms in the Credit Agreement. In addition:

"Accessions", "Account", "Chattel Paper", "Consumer Goods", "Document of Title", "Equipment", "Goods", "Instrument", "Intangible", "Inventory" and "Proceeds" have the meanings given to them in the PPSA.

"Books and Records" means all books, records, files, papers, disks, documents and other repositories of data recording in any form or medium, evidencing or relating to the

Collateral which are at any time owned by the Debtor or to which the Debtor (or any Person on the Debtor's behalf) has access.

**"Business Day"** means any day which is neither a Saturday or Sunday nor a legal holiday on which banks are authorized or required to be closed in New York, New York or Toronto, Canada.

**"Collateral"** means all of the present and future undertaking, Personal Property (including any Personal Property that may be described in any Schedule to this Agreement or any schedules, documents or listings that the Debtor may from time to time sign and provide to the Agent in connection with this Agreement) and real property (including any real property that may be described in any Schedule to this Agreement or any schedules, documents or listings that the Debtor may from time to time sign and provide to the Agent in connection with this Agreement and including all fixtures and all buildings placed, installed or erected from time to time on any such real property) of the Debtor (including all such property at any time owned, leased or licensed by the Debtor, or in which the Debtor at any time has any interest or to which the Debtor is or may at any time become entitled) and all Proceeds thereof and dividends or distributions thereon, wherever located.

**"Contracts"** means all contracts, licences and agreements to which the Debtor is at any time a party or pursuant to which the Debtor has at any time acquired rights, and includes (i) all rights of the Debtor to receive money due and to become due to it in connection with a contract, licence or agreement, (ii) all rights of the Debtor to damages arising out of, or for breach or default in respect of, a contract, licence or agreement, and (iii) all rights of the Debtor to perform and exercise all remedies in connection with a contract, licence or agreement.

**"Default"** means an Event of Default under the Credit Agreement.

**"Intellectual Property Rights"** means all industrial and intellectual property rights, including copyrights, patents, trade-marks, industrial designs, know how and trade secrets and all Contracts related to any such industrial and intellectual property rights.

**"Lien"** means, relative to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option, or other agreement to sell or give a security interest therein).

**"Money"** has the meaning given to it in the PPSA or, if there is no such meaning given in the PPSA, means a medium of exchange authorized or adopted by the Parliament of Canada as part of the currency of Canada, or by a foreign government as part of its currency.

**"Obligations"** means all "Obligations" (as defined in the Credit Agreement) of the Debtor under the Loan Documents.

**"Permits"** means all permits, licences, authorizations, approvals, franchises, rights-of-way, easements and entitlements that the Debtor has, requires or is required to have, to own, possess or operate any of its property or to operate and carry on any part of its business.

**"Personal Property"** means personal property and includes Accounts, Books and Records, Chattel Paper, Documents of Title, Equipment, Goods, Instruments, Intangibles (including Intellectual Property Rights and Permits), Inventory, Money and Securities.

**"PPSA"** means the *Personal Property Security Act* of the Province of Ontario, as such legislation may be amended, renamed or replaced from time to time (and includes all regulations from time to time made under such legislation).

**"Receiver"** means a receiver, a manager or a receiver and manager.

**"Secured Party"** has the meaning given to that term in the Credit Agreement.

**"Securities"** has the meaning given to it in the PPSA, or if there is no such meaning given in the PPSA but the PPSA defines "security" instead, it means the plural of that term.

2. **Grant of Lien.** As general and continuing collateral security for the due payment and performance of the Obligations, the Debtor mortgages, charges and assigns to the Agent (for its own benefit and for the benefit of the Secured Parties), and grants to the Agent (for its own benefit and for the benefit of the Secured Parties) a security interest in, the Collateral.

3. **Limitations on Grant of Lien.** If the grant of any Lien in respect of any Contract, Intellectual Property Right or Permit under Section 2 would result in the termination or breach of such Contract, Intellectual Property Right or Permit, then the applicable Contract, Intellectual Property Right or Permit will not be subject to any Lien under Section 2 but will be held in trust by the Debtor for the Agent (for its own benefit and for the benefit of the Secured Parties) and, on exercise by the Agent of any of its rights under this Agreement following the occurrence of and during the continuance of a Default, will be assigned by the Debtor as directed by the Agent. In addition, the Liens created by this Agreement do not extend to the last day of the term of any lease or agreement for lease of real property. Such last day will be held by the Debtor in trust for the Agent (for its own benefit and for the benefit of the Secured Parties) and, on the exercise by the Agent of any of its rights under this Agreement following the occurrence of and during the continuance of a Default, will be assigned by the Debtor as directed by the Agent.

Until the security constituted by this Agreement becomes enforceable and except as may be otherwise provided in this Agreement, the Debtor shall be entitled to receive all proceeds arising under or in connection with any Contract, Intellectual Property Right or Permit described in this Section 3.

4. **Attachment; No Obligation to Advance.** The Debtor confirms that value has been given by the Secured Parties to the Debtor, that the Debtor has rights in the Collateral (other than after-acquired property) and that the Debtor and the Agent have not agreed to postpone the time for attachment of the Liens created by this Agreement to any of the Collateral. The Liens created by this Agreement will have effect and be deemed to be effective whether or not the Obligations or any part thereof are owing or in existence before or after or upon the date of this Agreement. Neither the execution of this Agreement nor any advance of funds shall oblige the Agent or any of the Secured Parties to advance any funds or any additional funds.

5. **Representations and Warranties.** The Debtor represents and warrants to the Agent (for its own benefit and for the benefit of the Secured Parties) that:

(a) **Places of Business, Name, Location of Collateral.** The Debtor's principal place of business and chief executive office, and the place where it keeps its Books and Records, is at the address specified on the signature page of this Agreement, and its full legal name, and any other name under which it conducts its business, is specified on the signature page of this Agreement. The location of all other existing places where the Debtor carries on business, or keeps tangible Personal Property, the location of all jurisdictions in which account debtors of the Debtor are located, and the location of all real property owned by the Debtor, are set out in Schedule A to this Agreement.

(b) **Title; No Other Liens.** Except for (i) Liens created by this Agreement, and (ii) any other Lien permitted under the Credit Agreement, the Debtor owns (or with respect to any leased or licensed property forming part of the Collateral, holds a valid leasehold or licensed interest in) the Collateral free and clear of any Lien. No security agreement, financing statement or other notice with respect to any or all of the Collateral is on file or on record in any public office, except for filings in favour of, or permitted in writing by, the Agent.

(c) **Authority; Consents.** The Debtor has full power and authority to grant to the Agent, for its own benefit and for the benefit of the Secured Parties, the Liens created by this Agreement and to execute, deliver and perform its obligations under this Agreement, and such execution, delivery and performance does not contravene any of the Debtor's charter documents or by-laws or any agreement, instrument or restriction to which the Debtor is a party or by which the Debtor or any of the Collateral is bound. Except for any consent that has been obtained and is in full force and effect, no consent of any Person (other than the Debtor) is required, or purports to be required, for the execution, delivery and performance of this Agreement. Except as disclosed in writing by the Debtor to the Agent, neither the Debtor nor (to the best of the Debtor's knowledge) any other party to any Account or Contract is in default or is likely to become in default in the performance or observance of any of the terms of such Account or Contract.

(d) **Execution and Delivery; Enforceability.** This Agreement has been duly authorized, executed and delivered by the Debtor and is a valid and binding obligation of the Debtor enforceable against the Debtor in accordance with its terms, subject only to bankruptcy, insolvency, liquidation, reorganization, moratorium and other similar laws generally affecting

the enforcement of creditors' rights, and to the fact that equitable remedies (such as specific performance and injunction) are discretionary remedies.

(e) **Motor Vehicles.** A description of all motor vehicles and other "serial number" goods (i.e. trailers, mobile homes, aircraft, aircraft engines and vessels) (including vehicle identification numbers) presently owned by the Debtor and classified as Equipment is set out in Schedule A to this Agreement.

(f) **No Consumer Goods.** The Debtor does not own any Consumer Goods which are material in value or which are material to the business, operations, property, condition or prospects (financial or otherwise) of the Debtor.

(g) **Intellectual Property Rights.** All Intellectual Property Rights owned by the Debtor, and all rights of the Debtor to the use of any Intellectual Property Rights, are described in Schedule A to this Agreement.

6. **Survival of Representations and Warranties.** All agreements, representations, warranties and covenants made by the Debtor in this Agreement are material, will be considered to have been relied on by the Agent and the Secured Parties and will survive the execution and delivery of this Agreement or any investigation made at any time by or on behalf of the Agent or any Secured Party and any disposition or payment of the Obligations until repayment and performance in full of the Obligations and termination of all rights of the Debtor that, if exercised, would result in the existence of Obligations.

7. **Covenants.** The Debtor covenants and agrees with the Agent (for its own benefit and for the benefit of the Secured Parties) that:

(a) **Further Documentation.** The Debtor will from time to time, at the expense of the Debtor, promptly and duly authorize, execute and deliver such further instruments and documents, and take such further action, as the Agent may reasonably request for the purpose of obtaining or preserving the full benefits of, and the rights and powers granted by, this Agreement (including the filing of any financing statements or financing change statements under any applicable legislation with respect to the Liens created by this Agreement). The Debtor acknowledges that this Agreement has been prepared based on the existing laws in the Province of Ontario and that a change in such laws, or the laws of other jurisdictions, may require the execution and delivery of different forms of security documentation. Accordingly, the Debtor agrees that the Agent will have the right to require that this Agreement be amended, supplemented or replaced, and that the Debtor will immediately on request by the Agent authorize, execute and deliver any such amendment, supplement or replacement (i) to reflect any changes in such laws, whether arising as a result of statutory amendments, court decisions or otherwise, (ii) to facilitate the creation and registration of appropriate security in all appropriate jurisdictions, or (iii) if the Debtor merges or amalgamates with any other Person or enters into any corporate reorganization, in each case in order to confer on the Agent (for its own benefit and for the benefit of the Secured Parties) Liens similar to, and having the same effect as, the Liens created by this Agreement.

(b) **Delivery of Certain Collateral.** Promptly upon request from time to time by the Agent, the Debtor will deliver (or cause to be delivered) to the Agent to be held as further security, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Agent may reasonably request, any and all Instruments, Securities, Documents of Title and Chattel Paper included in or relating to the Collateral as the Agent may specify in its request.

(c) **Payment of Expenses; Indemnification.** The Debtor will pay on demand, and will indemnify and save the Agent harmless from, any and all liabilities, costs and expenses (including legal fees and expenses on a solicitor and own client basis and any sales, goods and services or other similar taxes payable to any governmental authority with respect to any such liabilities, costs and expenses) (i) incurred by the Agent in the preparation, registration, administration or enforcement of this Agreement, (ii) with respect to, or resulting from, any failure or delay by the Debtor in performing or observing any of its obligations under this Agreement, or (iii) incurred by the Agent in performing or observing any of the other covenants of the Debtor under this Agreement.

(d) **Maintenance of Records.** The Debtor will keep and maintain accurate and complete records of the Collateral, including a record of all payments received and all credits granted with respect to the Accounts and Contracts. At the written request of the Agent, the Debtor will mark any tangible Collateral specified by the Agent to evidence the existence of the Liens created by this Agreement.

(e) **Right of Inspection.** The Agent may, during normal business hours (and, unless an emergency or a Default has occurred and is continuing, on reasonable prior notice) without charge, examine and make copies of all Books and Records and may discuss the affairs, finances and accounts of the Debtor with its officers and accountants. The Agent may also, without charge, enter the premises of the Debtor where any of the Collateral is located for purpose of inspecting the Collateral, observing its use or otherwise protecting its interest in the Collateral. The Debtor, at its expense, will provide the Agent with such clerical and other assistance as may be reasonably requested by the Agent to exercise any of its rights under this paragraph.

(f) **Limitations on Other Liens.** The Debtor will not create, incur or permit to exist, and will defend the Collateral against, and will take such other action as is necessary to remove, any and all Liens on and claims in respect of the Collateral other than the Liens created by this Agreement or as permitted by the Credit Agreement, and the Debtor will defend the right, title and interest of the Agent and the Secured Parties in and to the Collateral against the claims and demands of all Persons.

(g) **Limitations on Dispositions of Collateral.** The Debtor will not, without the Agent's prior written consent, sell or otherwise dispose of any of the Collateral, except as permitted by the Credit Agreement. Following and during the existence of a Default, all Proceeds of the Collateral (including all amounts received in respect of Accounts) received by or on behalf of the Debtor, whether or not arising in the ordinary course of the Debtor's business,

will be received by the Debtor as trustee for the Agent and will be immediately paid to the Agent.

(h) **Insurance.** The Debtor will maintain insurance in accordance with Section 8.1.22 of the Credit Agreement.

(i) **Further Identification of Collateral.** The Debtor will promptly furnish to the Agent such statements and schedules further identifying and describing the Collateral, and such other reports in connection with the Collateral, as the Agent may from time to time reasonably request, including an updated list of any motor vehicles or other "serial number" goods owned by the Debtor and classified as Equipment, including vehicle identification numbers.

(j) **Notices.** The Debtor will advise the Agent promptly, in reasonable detail, of (i) any Lien (other than the Liens created by this Agreement and any Lien permitted under the Credit Agreement) on, or claim asserted against, any of the Collateral, (ii) the occurrence of any event, claim or occurrence that could reasonably be expected to have a material adverse effect on the value of the Collateral or on the Liens created by this Agreement, (iii) any change in the location of any place of business (including additional locations) or the chief executive office of the Debtor, (iv) any change in the location of any of the tangible Collateral (including additional locations), (v) any acquisition of real property by the Debtor, (vi) any change in the name of the Debtor, (vii) any merger or amalgamation of the Debtor with any other Person, (viii) any additional jurisdiction in which material accounts debtors of the Debtor are located, and (ix) any material loss of or damage to any of the Collateral. The Debtor agrees not to effect or permit any of the changes referred to in clauses (iii) to (viii) above unless all filings have been made and all other actions taken that are required in order for the Agent to continue at all times following such change to have a valid and perfected Lien in respect of all of the Collateral.

(k) **Delivery of Agreements re Intellectual Property Rights.** The Debtor will promptly, following demand from time to time by the Agent, authorize, execute and deliver any and all agreements, instruments, documents and papers that the Agent may request to evidence the Agent's Liens in any Intellectual Property Rights and, where applicable, the goodwill of the business of the Debtor connected with the use of, and symbolized by, any such Intellectual Property Rights.

8. **Rights on Default.** On Default, all of the Obligations will, subject to the Credit Agreement, become immediately due and payable and the security constituted by this Agreement will become enforceable, and the Agent may, personally or by agent, at such time or times as the Agent in its discretion may determine, do any one or more of the following:

(a) **Rights under PPSA, etc.** Exercise all of the rights and remedies granted to secured parties under the PPSA and any other applicable statute, or otherwise available to the Agent at law or in equity.

(b) **Demand Possession.** Demand possession of any or all of the Collateral, in which event the Debtor will, at the expense of the Debtor, immediately cause the Collateral designated



by the Agent to be assembled and made available and/or delivered to the Agent at any place designated by the Agent.

(c) **Take Possession.** Enter on any premises where any Collateral is located and take possession of, disable or remove such Collateral.

(d) **Deal with Collateral.** Hold, store and keep idle, or operate, lease or otherwise use or permit the use of, any or all of the Collateral for such time and on such terms as the Agent may determine, and demand, collect and retain all earnings and other sums due or to become due from any Person in respect of any of the Collateral.

(e) **Carry on Business.** Carry on, or concur in the carrying on of, any or all of the business or undertaking of the Debtor and enter on, occupy and use (without charge by the Debtor) any of the premises, buildings, plant and undertaking of, or occupied or used by, the Debtor.

(f) **Enforce Collateral.** Seize, collect, receive, enforce or otherwise deal with any Collateral in such manner, on such terms and conditions and at such times as the Agent deems advisable.

(g) **Dispose of Collateral.** Realize on any or all of the Collateral and sell, lease, assign, give options to purchase, or otherwise dispose of and deliver any or all of the Collateral (or contract to do any of the above), in one or more parcels at any public or private sale, at any exchange, broker's board or office of the Agent or elsewhere, on such terms and conditions as the Agent may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery.

(h) **Court-Approved Disposition of Collateral.** Apply to a court of competent jurisdiction for the sale or foreclosure of any or all of the Collateral.

(i) **Purchase by Agent.** At any public sale, and to the extent permitted by law on any private sale, bid for and purchase any or all of the Collateral offered for sale and, upon compliance with the terms of such sale, hold, retain and dispose of such Collateral without any further accountability to the Debtor or any other Person with respect to such holding, retention or disposition, except as required by law. In any such sale to the Agent, the Agent may, for the purpose of making payment for all or any part of the Collateral so purchased, use any claim for Obligations then due and payable to it as a credit against the purchase price.

(j) **Collect Accounts.** Notify the account debtors or obligors under any Accounts of the assignment of such Accounts to the Agent and direct such account debtors or obligors to make payment of all amounts due or to become due to the Debtor in respect of such Accounts directly to the Agent and, upon such notification and at the expense of the Debtor, enforce collection of any such Accounts, and adjust, settle or compromise the amount or payment of such Accounts, in such manner and to such extent as the Agent deems appropriate in the circumstances.

(k) **Transfer of Securities.** Transfer any Securities forming part of the Collateral into the name of the Agent or its nominee, with or without disclosing that the Securities are subject to the Liens arising under this Agreement.

(l) **Exercise of Rights.** Exercise any and all rights, privileges, entitlements and options pertaining to any Securities forming part of the Collateral as if the Agent were the absolute owner of such Securities.

(m) **Payment of Obligations.** Pay any liability secured by any Lien against any Collateral. The Debtor will immediately on demand reimburse the Agent for all such payments.

(n) **Borrow and Grant Liens.** Borrow money for the maintenance, preservation or protection of any Collateral or for carrying on any of the business or undertaking of the Debtor and grant Liens on any Collateral (in priority to the Liens created by this Agreement or otherwise) as security for the money so borrowed. The Debtor will immediately on demand reimburse the Agent for all such borrowings.

(o) **Appoint Receiver.** Appoint by instrument in writing one or more Receivers of the Debtor or any or all of the Collateral with such rights, powers and authority (including any or all of the rights, powers and authority of the Agent under this Agreement) as may be provided for in the instrument of appointment or any supplemental instrument, and remove and replace any such Receiver from time to time. To the extent permitted by applicable law, any Receiver appointed by the Agent will (for purposes relating to responsibility for the Receiver's acts or omissions) be considered to be the agent of the Debtor and not of the Agent or the Secured Parties.

(p) **Court-Appointed Receiver.** Apply to a court of competent jurisdiction for the appointment of a Receiver of the Debtor or of any or all of the Collateral.

(q) **Consultants.** Require the Debtor to engage a consultant of the Agent's choice, or engage a consultant on its own behalf, such consultant to receive the full cooperation and support of the Debtor and its employees, including unrestricted access to the premises, books and records of the Debtor; all reasonable fees and expenses of such consultant shall be for the account of the Debtor and the Debtor hereby authorizes any such consultant to report directly to the Agent and to disclose to the Agent any and all information obtained in the course of such consultant's employment.

The Agent may exercise any or all of the foregoing rights and remedies without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except as required by applicable law) to or on the Debtor or any other Person, and the Debtor by this Agreement waives each such demand, presentment, protest, advertisement and notice to the extent permitted by applicable law. None of the above rights or remedies will be exclusive of or dependent on or merge in any other right or remedy, and one or more of such rights and remedies may be exercised independently or in combination from time to time. Without prejudice to the ability of the Agent to dispose of the Collateral in any manner which is commercially reasonable, the Debtor acknowledges that a disposition of Collateral by the Agent

which takes place substantially in accordance with the following provisions will be deemed to be commercially reasonable:

- (i) Collateral may be disposed of in whole or in part;
- (ii) Collateral may be disposed of by public auction, public tender or private contract, with or without advertising and without any other formality;
- (iii) any purchaser or lessee of Collateral may be a customer of the Agent;
- (iv) a disposition of Collateral may be on such terms and conditions as to credit or otherwise as the Agent, in its sole discretion, may deem advantageous; and
- (v) the Agent may establish an upset or reserve bid or price in respect of Collateral.

9. **Grant of Licence.** For the purpose of enabling the Agent to exercise its rights and remedies under Section 8 when the Agent is entitled to exercise such rights and remedies, and for no other purpose, the Debtor grants to the Agent an irrevocable, non-exclusive licence (exercisable without payment of royalty or other compensation to the Debtor) to use, assign or sublicense any or all of the Intellectual Property Rights, including in such licence reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout of the same.

10. **Sale of Securities.** The Agent is authorized, in connection with any offer or sale of any Securities forming part of the Collateral, to comply with any limitation or restriction as it may be advised by counsel is necessary to comply with applicable law, including compliance with procedures that may restrict the number of prospective bidders and purchasers, requiring that prospective bidders and purchasers have certain qualifications, and restricting prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account or investment and not with a view to the distribution or resale of such Securities. The Debtor further agrees that compliance with any such limitation or restriction will not result in a sale being considered or deemed not to have been made in a commercially reasonable manner, and the Agent will not be liable or accountable to the Debtor for any discount allowed by reason of the fact that such Securities are sold in compliance with any such limitation or restriction.

11. **Application of Proceeds.** All Proceeds of Collateral received by the Agent or a Receiver may be applied to discharge or satisfy any expenses (including the Receiver's remuneration and other expenses of enforcing the Agent's rights under this Agreement), Liens in favour of Persons other than the Agent, borrowings, taxes and other outgoings affecting the Collateral or which are considered advisable by the Agent or the Receiver to protect, preserve, repair, process, maintain or enhance the Collateral or prepare it for sale, lease or other disposition, or to keep in good standing any Liens on the Collateral ranking in priority to any of the Liens created by this Agreement, or to sell, lease or otherwise dispose of the Collateral. The balance of such Proceeds may, at the sole discretion of the Agent, be held as collateral security for the Obligations or be applied to such of the Obligations (whether or not the same are due and

payable) in such manner and at such times as the Agent considers appropriate and thereafter will be accounted for as required by law.

12. **Continuing Liability of Debtor.** The Debtor will remain liable for any Obligations that are outstanding following realization of all or any part of the Collateral and the application of the Proceeds thereof.

13. **Agent's Appointment as Attorney-in-Fact.** The Debtor constitutes and appoints the Agent and any officer or agent of the Agent, with full power of substitution, as the Debtor's true and lawful attorney-in-fact with full power and authority in the place of the Debtor and in the name of the Debtor or in its own name, from time to time in the Agent's discretion after a Default, to take any and all appropriate action and to execute any and all documents and instruments as, in the opinion of such attorney acting reasonably, may be necessary or desirable to accomplish the purposes of this Agreement. These powers are coupled with an interest and are irrevocable until this Agreement is terminated and the Liens created by this Agreement are released. Nothing in this Section affects the right of the Agent as secured party or any other Person on the Agent's behalf, to sign and file or deliver (as applicable) all such financing statements, financing change statements, notices, verification statements and other documents relating to the Collateral and this Agreement as the Agent or such other Person considers appropriate.

14. **Performance by Agent of Debtor's Obligations.** If the Debtor fails to perform or comply with any of the obligations of the Debtor under this Agreement, the Agent may upon Notice to the Debtor, but need not, perform or otherwise cause the performance or compliance of such obligation, provided that such performance or compliance will not constitute a waiver, remedy or satisfaction of such failure. The reasonable expenses of the Agent incurred in connection with any such performance or compliance will be payable by the Debtor to the Agent immediately on demand, and until paid, any such expenses will form part of the Obligations and will be secured by the Liens created by this Agreement.

15. **Severability.** Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and will be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

16. **Rights of Agent; Limitations on Agent's Obligations.**

(a) **Limitations on Agent's Liability.** The Agent will not be liable to the Debtor or any other Person for any failure or delay in exercising any of the rights of the Debtor under this Agreement (including any failure to take possession of, collect, sell, lease or otherwise dispose of any Collateral, or to preserve rights against prior parties). Neither the Agent, a Receiver nor any agent of the Agent is required to take, or will have any liability for any failure to take or delay in taking, any steps necessary or advisable to preserve rights against other Persons under any Collateral in its possession. Neither the Agent, a Receiver nor any agent of the Agent will be liable for any, and the Debtor will bear the full risk of all, loss or damage to any and all of the

Collateral (including any Collateral in the possession of the Agent or any Receiver) caused for any reason other than the gross negligence or wilful misconduct of the Agent or such Receiver.

(b) **Debtor Remains Liable under Accounts and Contracts.** Notwithstanding any provision of this Agreement, the Debtor will remain liable under each of the documents giving rise to the Accounts and under each of the Contracts to observe and perform all the conditions and obligations to be observed and performed by the Debtor thereunder, all in accordance with the terms of each such document and Contract. The Agent will have no obligation or liability under any Account (or any document giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Agent of any payment relating to such Account or Contract pursuant hereto, and in particular (but without limitation), the Agent will not be obligated in any manner to perform any of the obligations of the Debtor under or pursuant to any Account (or any document giving rise thereto) or under or pursuant to any Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any document giving rise thereto) or under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time.

(c) **Collections on Accounts and Contracts.** The Agent hereby authorizes the Debtor to collect the Accounts and payments under the Contracts in the normal course of the business of the Debtor and for the purpose of carrying on the same. If required by the Agent at any time, any payments of Accounts or under Contracts, when collected by the Debtor, will be forthwith (and, in any event, within two Business Days) deposited by the Debtor in the exact form received, duly endorsed by the Debtor to the Agent if required, in a special collateral account maintained by the Agent, and until so deposited, will be held by the Debtor in trust for the Agent, segregated from other funds of the Debtor. All such amounts while held by the Agent (or by the Debtor in trust for the Agent) and all income in respect thereof will continue to be collateral security for the Obligations and will not constitute payment thereof until applied as hereinafter provided. If a Default has occurred and is continuing, the Agent may apply all or any part of the amounts on deposit in said special collateral account on account of the Obligations in such order as the Agent may elect. At the Agent's request, the Debtor will deliver to the Agent any documents evidencing and relating to the agreements and transactions which gave rise to the Accounts and Contracts, including all original orders, invoices and shipping receipts.

(d) **Analysis of Accounts.** The Agent will have the right to analyze and verify the Accounts in any manner and through any medium that it reasonably considers advisable, and the Debtor will furnish all such assistance and information as the Agent may require in connection therewith. The Agent may in its own name or in the name of others (including the Debtor) communicate with account debtors on the Accounts and parties to the Contracts to verify with them to its satisfaction the existence, status, amount and terms of any Account or any Contract. At any time and from time to time, upon the Agent's reasonable request and at the expense of the Debtor, the Debtor will furnish to the Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts.

17. **Dealings by Agent.** The Agent will not be obliged to exhaust its recourse against the Debtor or any other Person or against any other security it may hold in respect of the Obligations before realizing upon or otherwise dealing with the Collateral in such manner as the Agent may consider desirable. The Agent may grant extensions of time and other indulgences, take and give up security, accept compositions, grant releases and discharges and otherwise deal with the Debtor and any other Person, and with any or all of the Collateral, and with other security and sureties, as the Agent may see fit, all without prejudice to the Obligations or to the rights and remedies of the Agent under this Agreement. The powers conferred on the Agent under this Agreement are solely to protect the interests of the Agent in the Collateral and will not impose any duty upon the Agent to exercise any such powers.

18. **Communication.** Any communication required or permitted to be given under this Agreement will be in writing and will be effectively given if delivered in a manner and to the applicable address or facsimile number provided for from time to time pursuant to the Credit Agreement. Any communications so given will be deemed to have been given and to have been received as provided in the Credit Agreement.

19. **Release of Information.** The Debtor authorizes the Agent to provide a copy of this Agreement and such other information as may be requested of the Agent by Persons entitled thereto pursuant to any applicable legislation, and otherwise with the consent of the Debtor.

20. **Waivers and Indemnity.** To the extent permitted by applicable law, the Debtor unconditionally and irrevocably waives (i) all claims, damages and demands it may acquire against the Agent or any Secured Party arising out of the exercise by the Agent, any Secured Party or any Receiver of any rights or remedies under this Agreement or at law other than those arising from such party's gross negligence or wilful misconduct, and (ii) all of the rights, benefits and protections given by any present or future statute that imposes limitations on the rights, powers or remedies of a secured party or on the methods of, or procedures for, realization of security, including any "seize or sue" or "anti-deficiency" statute or any similar provision of any other statute. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Agent and the Debtor. The Agent and the Secured Parties will not, by any act or delay, be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Agent or the Secured Parties, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder will preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or the Secured Parties of any right or remedy hereunder on any one occasion will not be construed as a bar to any right or remedy which the Agent or the Secured Parties would otherwise have on any future occasion. Neither the taking of any judgment nor the exercise of any power of seizure or sale will extinguish the liability of the Debtor to pay the Obligations, nor will the same operate as a merger or any covenant contained in this Agreement or of any other liability, nor will the acceptance of any payment or other security constitute or create any novation. The Debtor agrees to indemnify the Agent and the Secured Parties from and against any and all liabilities, obligations, losses, damages, penalties,

actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (except by reason of the gross negligence or wilful misconduct of the Agent or the Secured Parties or any of their agents or employees) which may be imposed on, incurred by, or asserted against the Agent and arising by reason of any action (including any action referred to in this Agreement) or inaction or omission to do any act legally required by the Debtor. This indemnification will survive the satisfaction, release or extinguishment of the Obligations and the Liens created by this Agreement.

21. **Environmental License and Indemnity.** The Debtor hereby grants to the Agent and its employees and agents an irrevocable and non-exclusive license, subject to the rights of tenants (and, unless an emergency or a Default has occurred and is continuing, on reasonable prior notice and at reasonable times), to enter any of the premises of the Debtor to conduct audits, testing and monitoring with respect to hazardous substances and to remove and analyze any hazardous substance at the reasonable cost and expense of the Debtor (which cost and expense will form part of the Obligations and will be payable immediately on demand and secured by the Liens created by this Agreement). The Debtor will indemnify the Agent and the Secured Parties and hold the Agent and the Secured Parties harmless against and from all losses, costs, damages and expenses which the Agent or any Secured Party may sustain, incur or be or become liable at any time whatsoever for by reason of or arising from the past, present or future existence, clean-up, removal or disposal of any hazardous substance on or about any property owned or occupied by the Agent or any Secured Party or compliance with environmental laws or environmental orders relating thereto, including any clean-up, decommissioning, restoration or remediation of any premises owned or occupied by the Debtor or other affected lands or property. This indemnification will survive the satisfaction, release or extinguishment of the Obligations and the Liens created by this Agreement.

22. **Amalgamation.** The Debtor acknowledges that if it amalgamates with any other corporation or corporations, then (i) the Collateral and the Liens created by this Agreement will extend to and include all the property and assets of the amalgamated corporation and to any property or assets of the amalgamated corporation thereafter owned or acquired, (ii) the term "Debtor", where used in this Agreement, will extend to and include the amalgamated corporation, and (iii) the term "Obligations", where used in this Agreement, will extend to and include the Obligations of the amalgamated corporation.

23. **Governing Law; Attornment.** This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario. Without prejudice to the ability of the Agent to enforce this Agreement in any other proper jurisdiction, the Debtor irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of such province. To the extent permitted by applicable law, the Debtor irrevocably waives any objection (including any claim of inconvenient forum) that it may now or hereafter have to the venue of any legal proceeding arising out of or relating to this Agreement in the courts of such Province.

24. **Interpretation.** Unless otherwise expressly provided in this Agreement, if any matter in this Agreement is subject to the consent or approval of the Agent or is to be acceptable to the Agent, such consent, approval or determination of acceptability will be in the sole

discretion of the Agent. If any provision in this Agreement refers to any action taken or to be taken by the Debtor, or which the Debtor is prohibited from taking, such provision will be interpreted to include any and all means, direct or indirect, of taking, or not taking, such action. The division of this Agreement into sections and paragraphs, and the insertion of headings, is for convenience of reference only and will not affect the construction or interpretation of this Agreement. Unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders. When used in this Agreement, the word "including" (or includes) means "including (or includes) without limitation". Any reference in this Agreement to a "Section" means the relevant Section of this Agreement. If more than one Debtor executes this Agreement, their obligations under this Agreement are joint and several.

25. Successors and Assigns. This Agreement will enure to the benefit of, and be binding on, the Debtor and its successors and permitted assigns, and will enure to the benefit of, and be binding on, the Agent and its successors and assigns. The Debtor may not assign this Agreement, or any of its rights or obligations under this Agreement, without the prior written consent of the Agent.

26. Acknowledgment of Receipt/Waiver. The Debtor acknowledges receipt of an executed copy of this Agreement and, to the extent permitted by applicable law, waives the right to receive a copy of any financing statement, financing change statement or verification statement in respect of any registered financing statement or financing change statement prepared, registered or issued in connection with this Agreement.

27. Conflict. If there is a conflict or inconsistency between the provisions of the Credit Agreement and the provisions of this Security Agreement, the provisions of the Credit Agreement shall prevail. However, the existence of additional terms, conditions or provisions (including any rights, remedies, covenants, representations or warranties) that are contained in this Security Agreement and that are not included in the Credit Agreement shall not be construed or deemed as being in conflict and shall remain in effect.

April 20

Dated: ~~March 2~~, 2007

THE ROSSEAU RESORT  
DEVELOPMENTS INC.

Address: 110 Hannover Drive  
Suite 203B, P.O. Box 24091  
St. Catharines, Ontario L2W 1A4  
Attention: President  
Facsimile: (905) 688-3060

By: 

Name: James Farrar  
Title: A.S.O.



## SCHEDULE A

### Locations of Collateral (Paragraph 5(a))

1112 Juddhaven Road, P.O. Box 78, Minett, Ontario P0B 1G0

### Jurisdictions of Account Debtors (Paragraph 5(a))

1112 Juddhaven Road, P.O. Box 78, Minett, Ontario P0B 1G0

### Locations of Real Property (Paragraph 5(a))

1112 Juddhaven Road, P.O. Box 78, Minett, Ontario P0B 1G0

### Descriptions of Motor Vehicles and Other Serial Number Goods (Paragraph 5(e))

Nil.

### Intellectual Property Rights (Paragraph 5(g))

RED LEAVES (No. TMA 613874)

THE ROSSEAU (No. TMA 671434)

THE GRAND ROSSEAU (Application No. 1,210,656)