

09-06-2000



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RECORDATION FORM COVER SHEET
PATENTS ONLY

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

New

Resubmission (Non-Recordation)
Document ID#

Correction of PTO Error
Reel # Frame #

Corrective Document
Reel # Frame #

Conveyance Type

Assignment Security Agreement

License Change of Name

Merger Other

U.S. Government
(For Use ONLY by U.S. Government Agencies)

Departmental File Secret File

Conveying Party(ies)

Mark if additional names of conveying parties attached

Name (line 1) Execution Date: Month Day Year

Name (line 2)

Second Party

Name (line 1) Execution Date: Month Day Year

Name (line 2)

Receiving Party

Mark if additional names of receiving parties attached

Name (line 1) If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative is attached. (Designation must be a separate document from Assignment.)

Name (line 2)

Address (line 1)

Address (line 2)

Address (line 3) City State/Country Zip Code

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

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Correspondent Name and Address

Area Code and Telephone Number

Name Atty. Docket 123580-1

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages Enter the total number of pages of the attached conveyance document including any attachments. #

Application Number(s) or Patent Number(s) Mark if additional numbers attached

Enter either the Patent Application Number or the Patent Number (DO NOT ENTER BOTH numbers for the same property).

Patent Application Number(s)

Patent Number(s)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="5,454,419"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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If this document is being filed together with a new Patent Application, enter the date the patent application was

Patent Cooperation Treaty (PCT)

Enter PCT application number only if a U.S. Application Number has not been assigned.

PCT <input type="text"/>	PCT <input type="text"/>	PCT <input type="text"/>
PCT <input type="text"/>	PCT <input type="text"/>	PCT <input type="text"/>

Number of Properties Enter the total number of properties involved. #

Fee Amount Fee Amount for Properties Listed (37 CFR 3.41): \$

Method of Payment: Enclosed Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the

Deposit Account Number: #

Authorization to charge additional fees: Yes No

Statement and Signature

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

Carol M. Nielsen

Name of Person Signing

Carol M. Nielsen July 31, 2000
Signature Date

ENERLINE RESTORATIONS Fax:2737433

Jul 28 '00 17:14 P.01

Sent by: GARDERE, WYNNE, SEWELL, & RIGGS 713 276 5231;

07/28/00 5:37PM JstFax #951;Page 2/2

Attorney Docket No. 123580-1

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
DESIGNATION OF DOMESTIC REPRESENTATIVE**

NAME: Enerline Restorations Inc.

ADDRESS: 720 Moraine Road N.E.
Calgary, Alberta
Canada

BOX: ASSIGNMENTS
Commissioner of Patents and Trademarks
Washington, DC 20231

CERTIFICATE OF MAILING	
I hereby certify that this correspondence is being deposited with the United States Postal Service as Express Mail in an envelope addressed to: Assistant Commissioner for Trademarks, 2900 Crystal Drive, Arlington, VA 22202-3513 on this day <u>Patents, Washington, DC 20231.</u>	
Kathryn D. Woolley	
Printed or typed name of person signing certificate	
<i>Kathryn D. Woolley</i>	
Signature	
Express Mail Label No. H397440981US	
Date of Signature	
<u>July 31, 2000</u>	


The above-identified party, Enerline

Restorations, Inc., hereby designates the following as Domestic Representative upon whom notice or process in proceedings affecting U.S. Pat. No. 5,454,419.

Name of Domestic Representative: Carol M. Nielsen, Reg. No. 37,676
John M. Montgomery, Reg. No. 31,124

Postal Address: Gardere & Wynne, L.L.P.
Patent Section
1601 Elm Street, Suite 3000
Dallas, Texas 75201-4761
(713) 276-5383 phone
(713) 276-5555 fax
cnielsen@gardere.com

Date: July 29

By: 
Graham Klingworth
President
Enerline Restorations Inc.

SECURITY AGREEMENT

This Security Agreement (this "Agreement"), dated as of July 19, 2000 is by and between Polybore Services, Inc., an Oklahoma corporation (the "Grantor"), and Enerline Restorations Inc., a corporation organized under the laws of the Province of Alberta, Canada (the "Secured Party"). In addition, Jack Vloedman joins herein for the sole purpose of consenting to the pledge of the license to the patent described in Section 20 hereof.

WITNESSETH:

WHEREAS, pursuant to that certain Asset Purchase Agreement dated effective July 1, 2000 among the Grantor, the Secured Party, Enerline Technologies, Inc., a Texas corporation ("Enerline Technologies"), Jack Vloedman, James Dodson, Thomas Baer and James Sanger (the "Purchase Agreement"), the Grantor has executed and delivered to the Secured Party a promissory note of even date herewith made payable to the order of the Secured Party in the original principal amount of \$1,500,000 (the "Note"); and

WHEREAS, the parties hereto desire to enter into this Agreement to secure the payment and performance of the Note on the terms set forth herein;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor and the Secured Party hereby agree as follows:

Section 1. Grant of Security. The Grantor hereby assigns, pledges and grants to the Secured Party for its benefit a security interest in all of the Grantor's right, title and interest in and to the following (collectively, the "Collateral"):

All of the assets and properties of the Grantor of whatever kind or type, whether now owned or hereafter arising or acquired, tangible or intangible, including, but not limited to:

- (i) all of the Assets (as such term is defined in the Purchase Agreement);
- (ii) all accounts, notes, drafts, acceptances, instruments, documents, chattel paper and general intangibles, including all accounts receivable, all patents, intellectual property, trademarks and trade names, and all shares of stock, and all guaranties and suretyship agreements relating to any of same, and all security for payment thereof, and in and to all the proceeds, monies, income, benefit, collections and products thereof and thereon and attributable or accruing thereto, and in and to all goods which gave rise thereto, including without limitation all returned or repossessed goods and other goods the sale or delivery of which gave rise or may give rise to any of such accounts, notes, drafts, acceptances, instruments, documents, chattel paper

or general intangibles, including the right of stoppage in transit, and the proceeds and products thereof;

(iii) all rights of the Grantor earned or yet to be earned under contracts to sell or lease goods or render services;

(iv) all proceeds and products of, substitutes and replacements for, accessions, attachments and other additions to, the above Collateral, and all returned or repossessed Collateral;

(v) all property similar to the above hereafter acquired by the Grantor;

(vi) the balance of every deposit account of the Grantor;

(vii) all money, instruments, securities, documents, chattel paper, credits, claims, demands and any other property, rights and interests of the Grantor which at any time shall come into the possession or custody or under the control of the Secured Party or any of its agents or affiliates for any purpose, and shall include the proceeds (including dividends payable or distributable in cash, property, or stock, and shares or other proceeds of conversions or splits of any securities in Collateral) or any thereof;

(viii) all policies of insurance covering the Collateral and proceeds thereof; and

(ix) all books and records relating to any of the foregoing.

The Secured Party shall be deemed to have possession of any of the Collateral in transit to or set apart for it or any of its agents, affiliates or correspondents.

Section 2. Security for Obligations. This Agreement secures the payment and performance of all debt, liabilities and obligations of the Grantor to the Secured Party under the Note, and all obligations of the Grantor now or hereafter existing under this Agreement (all such obligations and liabilities of the Grantor collectively being the "Obligations"). This Agreement shall not be construed as relieving the Grantor from full recourse liability on the Obligations and any and all further and other indebtedness secured hereby and for any deficiency thereon.

Section 3. The Grantor Remains Liable. Anything herein to the contrary notwithstanding, (a) the Grantor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) the Secured Party shall have no obligation or liability under the contracts and agreements included in the Collateral by reason of this

Agreement, nor shall the Secured Party be obligated to perform any of the obligations or duties of the Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 4. Representations and Warranties. The Grantor represents and warrants as follows:

(a) Except as set forth in the Purchase Agreement, (i) the Grantor owns the Collateral free and clear of any lien, security interest, charge or encumbrance except for the security interest created hereby in favor of the Secured Party, and (ii) no effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Secured Party.

(b) This Agreement creates a valid and perfected first priority security interest in the Collateral, securing the payment of the Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been, or will be, duly taken.

(c) No authorization, approval or other action by, and no notice to or other filing with, any governmental authority or regulatory body is required either (i) for the grant by the Grantor of the security interest granted hereby or for the execution, delivery or performance of this Agreement by the Grantor or (ii) for the perfection of or the exercise by the Secured Party of its rights and remedies hereunder (other than filing of financing statements).

Section 5. Further Assurances.

(a) The Grantor agrees that from time to time, at the expense of the Grantor, the Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be reasonably necessary or desirable, or that the Secured Party may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Grantor will: (i) mark conspicuously each document included in the Collateral and, at the request of the Secured Party, each of its records pertaining to the Collateral, with a legend, in form and substance satisfactory to the Secured Party, indicating that such document or Collateral is subject to the security interest granted hereby; (ii) after an Event of Default, transfer, register or otherwise put any of the Collateral in the name of the Secured Party or its nominee; and (iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Secured Party may request, in order to perfect and preserve the security interest granted or purported to be granted hereby.

(b) The Grantor hereby authorizes the Secured Party to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of the Grantor where permitted by law (provided that the Secured Party furnishes to

the Grantor a copy of each such statement filed, promptly after the filing thereof). A carbon, photographic or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) The Grantor will furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party may reasonably request, all in reasonable detail.

Section 6. Insurance. The Grantor shall, at its own expense, maintain insurance with respect to the Collateral in such amounts, against such risks, in such form and with such insurers, as shall be reasonably satisfactory to the Secured Party from time to time. Each policy for property damage insurance shall provide for all losses to be paid on behalf of the Secured Party and the Grantor as their respective interests may appear. Each such policy shall in addition (i) contain the agreement (if available) by the insurer that any loss thereunder shall be payable to the Secured Party notwithstanding any action, inaction or breach of representation or warranty by the Grantor, (ii) provide that there shall be no recourse against the Secured Party for payment of premiums or other amounts with respect thereto and (iii) provide that at least ten days prior written notice of cancellation or of lapse shall be given to the Secured Party by the insurer. The Grantor shall, if so requested by the Secured Party, deliver to the Secured Party original or duplicate policies of such insurance and, as often as the Secured Party may reasonably request, a report of a reputable insurance broker selected by the Grantor with respect to such insurance. Further, the Grantor shall, at the request of the Secured Party, duly execute and deliver instruments of assignment of such insurance policies to comply with the requirements of Section 5 hereof and cause the respective insurers to acknowledge notice of such assignment.

Section 7. Transfers and Other Liens. The Grantor shall not:

(a) Sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, except pursuant to the Operating Lease (as defined in the Purchase Agreement).

(b) Create or suffer to exist any lien upon or with respect to any of the Collateral to secure debt of any person, except for the security interest created by this Agreement.

Section 8. Secured Party Appointed Attorney-in-Fact. The Grantor hereby irrevocably appoints the Secured Party the Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor or otherwise, from time to time in the Secured Party's discretion at any time after the occurrence of an Event of Default has occurred and is continuing, to take any action and to execute any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(i) to obtain and adjust insurance required to be paid to the Secured Party pursuant to Section 6;

(ii) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(iii) to receive, endorse, and collect any drafts or other instruments, documents and chattel paper, in connection with clause (i) or (ii) above; and

(iv) to file any claims or take any action or institute any proceedings which the Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Secured Party with respect to any of the Collateral.

Section 9. Secured Party May Perform. If the Grantor fails to perform any agreement contained herein, the Secured Party may itself perform, or cause performance of, such agreement, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Grantor under Section 13(b).

Section 10. Secured Party's Duties. The powers conferred on the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Secured Party shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

Section 11. Events of Default. An "Event of Default" shall occur if:

A. the Grantor defaults in the payment of the principal or interest of the Note when such principal or interest becomes due and payable; or

B. the Grantor shall fail or refuse to perform or comply in any material respect with any of its obligations under this Agreement, or if any representation or warranty made by the Grantor herein proves to have been false in any material respect when made; or

C. the Grantor shall fail or refuse to perform or comply in any material respect with any of its obligations under the Purchase Agreement, or if any representation or warranty made by the Grantor therein proves to have been false in any material respect when made; or

D. a court of competent jurisdiction enters (i) a decree or order for relief in respect of the Grantor in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or (ii) a decree or order adjudging the Grantor a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Grantor under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other

similar official of the Grantor or ordering the winding up or liquidation of the affairs of the Grantor;
or

E. the Grantor (i) commences a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or any other case or proceeding to be adjudicated a bankrupt or insolvent, (ii) files a petition, answer or consent seeking reorganization or similar relief under any applicable federal or state law, (iii) makes an assignment for the benefit of creditors, or (iv) admits in writing its inability to pay its debts generally as they become due; or

F. the Grantor (i) merges or consolidates with or into any other Person, (ii) dissolves or liquidates, or (iii) sells all or any substantial portion of its assets (except as provided for in the Purchase Agreement).

Section 12. Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Secured Party may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code (the "Code") (whether or not the Code applies to the affected Collateral) and also may (i) require the Grantor to, and the Grantor hereby agrees that it will at its expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to it and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Secured Party's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Secured Party may deem commercially reasonable. The Grantor agrees that, to the extent notice of sale shall be required by law, at least ten business days' notice to the Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.—

(b) All cash proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Secured Party, be held by the Secured Party as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable pursuant to Section 13) in whole or in part by the Secured Party against all or any part of the Obligations in such order as the Secured Party shall elect, subject to any mandatory provisions or applicable law. Any surplus of such cash or cash proceeds held by the Secured Party and remaining after payment in full of all the Obligations shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus. If, in the opinion of the Secured Party, there is any question that a public or semipublic sale or distribution of any Collateral

will violate any state or federal securities law, the Secured Party in its discretion (i) may offer and sell securities privately to purchasers who will agree to take them for investment purposes and not with a view to distribution and who will agree to imposition of restrictive legends on the certificates representing the security, or (ii) may sell such securities in an intrastate offering under Section 3(a)(11) of the Securities Act of 1933, as amended, and no sale so made in good faith by the Secured Party shall be deemed to be not "commercially reasonable" because so made.

Section 13. Indemnity and Expenses.

(a) The Grantor agrees to indemnify the Secured Party from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting from the Secured Party's negligence or willful misconduct.

(b) The Grantor will upon demand pay to the Secured Party the amount of any and all reasonable expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, which the Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Secured Party hereunder or (iv) the failure by the Grantor to perform or observe any of the provisions hereof.

Section 14. Security Interest Absolute. All rights of the Secured Party and security interests hereunder, and all obligations of the Grantor hereunder, shall be absolute and unconditional, irrespective of:

(i) any lack of validity or enforceability of the Note or any other agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations or any other amendment or waiver of or any consent to any departure from any note or any guaranty;

(iii) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations; or

(iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Grantor, or a third party grantor of a security interest.

Section 15. Amendments; Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Grantor herefrom, shall in any event be effective

unless the same shall be in writing and signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 16. Addresses for Notices. Unless otherwise provided herein, all notices, requests, consents, demands and other communications shall be in writing and shall be mailed, certified mail with return receipt requested, postage prepaid, or telegraphed, cabled, telexed, telecopied or otherwise physically delivered to their respective addresses as set forth in the Purchase Agreement, or, as to any party, to such other address as may be designated by it in written notice to all other parties. All notices, requests, consents and demands hereunder will be effective, if addressed to the Secured Party or the Grantor as aforesaid, when mailed by certified mail, postage prepaid, return receipt requested, or upon delivery if telegraphed, cabled, telexed, telecopied or otherwise physically delivered, addressed as aforesaid.

Section 17. Continuing Security Interest; Termination. This Agreement shall create a continuing security interest in the Collateral and shall (i) be binding upon the Grantor, its successors and assigns and (ii) inure, together with the rights and remedies of the Secured Party hereunder, to the benefit of the Secured Party, its successors, transferees and assigns. Upon the payment in full of the Obligations, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Grantor. Upon any such termination, the Secured Party will, at the Grantor's expense, execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination.

Section 18. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of Texas. Terms used in Article 9 of the Uniform Commercial Code in the State of Texas are used herein as therein defined.

Section 19. Counterparts. This Agreement may be executed in two or more counterparts. Each counterpart is deemed an original, but all such counterparts taken together constitute one and the same instrument.

Section 20. Consent by Jack Vloedman to Pledge of License to Patent. Jack Vloedman joins herein for the sole purpose of evidencing his consent, as beneficial and/or record owner of U.S. Patent No. 5,454,419 9, to the pledge by Grantor of its rights under the perpetual, exclusive license to such patent granted by him to Grantor, and to any transfer of such license pursuant to the exercise by Secured Party or its successors or assigns of its or their rights hereunder.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

POLYBORE SERVICES, INC.

By: _____
Name: _____
Title: _____

ENERLINE RESTORATIONS INC.

By: _____
Name: _____
Title: _____

The undersigned joins herein for the sole purpose of evidencing his consent as set forth in Section 20 above.

JACK VLOEDMAN

