

11-18-2002

Form PTO-1595  
(Rev. 03/01)

REC



U.S. DEPARTMENT OF COMMERCE  
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OMB No. 0651-0027 (exp. 5/31/2002)

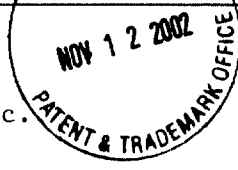
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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

CAM Tech Industries Inc.



2. Name and address of receiving party(ies)

Name: RoyNat Capital Inc.

Internal Address: 11-12-02

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

3. Nature of conveyance:

- Assignment  Merger
- Security Agreement  Change of Name
- Other \_\_\_\_\_

Street Address: 4500, 400 - 3rd Ave. S.W.

City: Calgary State: AB Zip: T2P 4H2

Execution Date: 07/16/2002

Additional name(s) & address(es) attached?  Yes  No

4. Application number(s) or patent number(s):

If this document is being filed together with a new application, the execution date of the application is: \_\_\_\_\_

A. Patent Application No.(s) \_\_\_\_\_

B. Patent No.(s) \_\_\_\_\_

09/843,039

Additional numbers attached?  Yes  No

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

Name: MacPherson Leslie & Tyerman LLP

Internal Address: \_\_\_\_\_

Street Address: 4302, 400 - 3rd Ave. S.W.

City: Calgary State: AB Zip: T2P 4H2

6. Total number of applications and patents involved:  1

7. Total fee (37 CFR 3.41).....\$40.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

11/15/2002 DBYRNE 00000262 09843039

DO NOT USE THIS SPACE

01 FC:0029 Signature. 40.00 DP

MICHAEL J. CLARK  
Name of Person Signing

*Michael Clark*  
Signature

November 8, 2002  
Date

Total number of pages including cover sheet, attachments, and documents:  14

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

**RECORDATION FORM COVER SHEET**

**PATENTS ONLY**

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

Name: Bank of Montreal Capital Corporation

Street Address: 9th Floor, 350 Seventh Avenue S.W.  
Calgary, Alberta  
T2P 3N9

Name: Business Development Bank of Canada

Street Address: 444 Seventh Avenue S.W.  
110 Barclay Centre  
Calgary, Alberta  
T2P 0X8

# PATENT COLLATERAL ASSIGNMENT AND SECURITY AGREEMENT

THIS AGREEMENT ("Agreement"), dated July 16, 2002, is by and between CAM TECH INDUSTRIES INC. ("Debtor"), with its chief executive office at 2707 - 58<sup>th</sup> Avenue S.E., Calgary, Alberta, T2C 0B4, Canada, and ROYNAT CAPITAL INC., a Canadian corporation having an office at Suite 4500, Canterra Tower, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2, BANK OF MONTREAL CAPITAL CORPORATION, a Canadian Corporation, having an office at 9<sup>th</sup> Floor, 350 - 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3N9, and BUSINESS DEVELOPMENT BANK OF CANADA, a Canadian Corporation, having an office at 110 Barclay Centre, 444 - 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0X8 (collectively, the "Secured Parties").

WITNESSETH:

WHEREAS Debtor has adopted, used and is using, and is the owner of the entire right, title and interest in and to the patents and applications therefor described in Exhibit A hereto and made a part hereof; and

WHEREAS Secured Parties and Debtor have entered into or are about to enter into financing arrangements pursuant to which Debtor is guaranteeing the indebtedness of 937333 Alberta Inc. to Secured Parties as set forth in Collateral Debenture dated of even date herewith, issued by Debtor in favour of Secured Parties as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, (collectively the "Loan Agreement") and other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Financing Agreements"); and

WHEREAS in order to induce Secured Parties to make loans and advances and provide other financial accommodations to 937333 Alberta Inc., which loans have been guaranteed by the Debtor, Debtor has agreed to grant to Secured Parties certain collateral security as set forth herein;

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor hereby agrees as follows:

## 1. GRANT OF SECURITY INTEREST

As collateral security for the prompt performance, observance and indefeasible payment in full of all of the Obligations (as hereinafter defined), Debtor hereby grants to Secured Parties a continuing security interest in and a general lien upon, and a conditional assignment of, the following (being collectively referred to herein as the "Collateral"): (a) all of Debtor's now existing or hereafter acquired right, title and interest in and to all of Debtor's interest in any patents and all applications, registrations and recordings relating to the foregoing as may at any time be filed in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof, any political subdivision thereof or in any other country,

including, without limitation, those patents, applications, registrations and recordings described in Exhibit A hereto, together with all rights and privileges arising under applicable law with respect to Debtor's use of any patents and all reissues, divisions, continuations, extensions and renewals thereof (all of the foregoing being collectively referred to herein as the "Patents"); (b) all present and future inventions and improvements described and claimed therein; (c) all income, fees, royalties and other payments at any time due or payable with respect thereto, including, without limitation, payments under all licenses at any time entered into in connection therewith; (d) the right to sue for past, present and future infringements thereof; (e) all rights corresponding thereto throughout the world; and (f) any and all other proceeds of any of the foregoing, including, without limitation, all damages and payments or claims by Debtor against third parties for past or future infringement of the Patents.

## **2. OBLIGATIONS SECURED**

The security interest, lien and other interests granted to Secured Parties pursuant to this Agreement shall secure the prompt performance, observance and payment in full of any and all obligations, liabilities and indebtedness of every kind, nature and description owing by Debtor to Secured Parties and/or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under this Agreement, the Loan Agreement, the other Financing Agreements or in connection with the transactions contemplated by this Agreement, the Loan Agreement or the other Financing Agreements, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Loan Agreement, whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Secured Parties (all of the foregoing being collectively referred to herein as the "Obligations").

## **3. REPRESENTATIONS, WARRANTIES AND COVENANTS**

Debtor hereby represents, warrants and covenants with and to Secured Parties the following (all of such representations, warranties and covenants being continuing so long as any of the Obligations are outstanding):

- (a) Debtor shall pay and perform all of the Obligations according to their terms.
- (b) All of the existing Collateral is valid and subsisting in full force and effect, and Debtor owns the sole, full and clear title thereto, and the right and power to grant the security interest and conditional assignment granted hereunder. Debtor shall, at Debtor's expense, perform all acts and execute all documents necessary to maintain the existence of the Collateral consisting of registered Patents as registered patents and to maintain all of the Collateral as valid and subsisting, including, without limitation, the filing of any renewal affidavits and applications. The Collateral is not subject to any liens, claims, mortgages, assignments, licenses, security interests or encumbrances of any nature whatsoever, except (i) the security interests granted hereunder and (ii) the licenses permitted under Section 3(e) below.

- (c) Debtor shall not assign, sell, mortgage, lease, transfer, pledge, hypothecate, grant a security interest in or lien upon, encumber, grant an exclusive or non-exclusive license relating to the Collateral, or otherwise dispose of any of the Collateral, in each case without the prior written consent of Secured Parties, except as otherwise permitted herein or in the Loan Agreement. Nothing in this Agreement shall be deemed a consent by Secured Parties to any such action, except as such action is expressly permitted hereunder.
- (d) Debtor shall, at Debtor's expense, promptly perform all acts and execute all documents requested at any time by Secured Parties to evidence, perfect, maintain, record or enforce the security interest in and conditional assignment of the Collateral granted hereunder or to otherwise further the provisions of this Agreement. Where permitted by law, Debtor hereby authorizes Secured Parties to execute and file one or more financing statements (or similar documents) with respect to the Collateral signed only by Secured Parties or as otherwise determined by Secured Parties. Debtor further authorizes Secured Parties to have this Agreement or any other similar security agreement filed with the Commissioner of Patents and Trademarks or any other appropriate federal, state or government office.
- (e) As of the date hereof, Debtor does not have any Patents registered, or subject to pending applications, in the United States Patent and Trademark office or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, other than those described in Exhibit A hereto and has not granted any licenses with respect thereto other than as set forth in Exhibit B hereto.
- (f) Debtor shall, concurrently with the execution and delivery of this Agreement, execute and deliver to Secured Parties three (3) originals of a Special Power of Attorney in the form of Exhibit C annexed hereto for the implementation of the assignment, sale or other disposition of the Collateral pursuant to Secured Parties's exercise of the rights and remedies granted to Secured Parties hereunder.
- (g) Secured Parties may, in its discretion, pay any amount or do any act which Debtor fails to pay or do as required hereunder or as requested by Secured Parties to preserve, defend, protect, maintain, record or enforce the Obligations, the Collateral or the security interest and conditional assignment granted hereunder, including, but not limited to, all filing or recording fees, court costs, collection charges, and reasonable attorneys' fees and legal expenses. Debtor shall be liable to Secured Parties for any such payment, which payment shall be deemed an advance by Secured Parties to Debtor, shall be payable on demand together with interest at the rate then applicable to the indebtedness of Debtor to Secured Parties set forth in the Loan Agreement and shall be part of the Obligations secured hereby.
- (h) Debtor shall not file any application for the registration of a Patent with the United States Patent and Trademark Office or any similar office or agency in the

United States, any State thereof, any political subdivision thereof or in any other country, unless Debtor has given Secured Parties thirty (30) days' prior written notice of such action. If, after the date hereof, Debtor shall (i) obtain any patent, including any reissue, division, continuation, continuation-in-part or extension of any patent, file any patent application, including any application for reissue or extension of any patent, or any divisional, continuation or continuation-in-part application in the United States Patent and Trademark Office or in any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, or (ii) become the owner of any patent or new patentable inventions used in the United States, any State thereof, any political subdivision thereof or in any other country, the provisions of Section 1 hereof shall automatically apply thereto. Upon the request of Secured Parties, Debtor shall promptly execute and deliver to Secured Parties any and all assignments, agreements, instruments, documents and such other papers as may be requested by Secured Parties to evidence the security interest in and conditional assignment of such Patent in favour of Secured Parties.

- (i) Debtor has not abandoned any of the Patents and Debtor will not do any act, nor omit to do any act, whereby the Patents may become abandoned, invalidated, unenforceable, avoided or avoidable. Debtor shall notify Secured Parties immediately if it knows or has reason to know of any reason why any application, registration or recording with respect to the Patents may become abandoned, cancelled, invalidated, avoided or avoidable.
- (j) Debtor shall render any assistance, as Secured Parties shall determine is necessary, to Secured Parties in any proceeding before the United States Patent and Trademark Office, any federal or state court, or any similar office or agency in the United States, any province thereof, any political subdivision thereof or in any other country, to maintain such application and registration of the Patents as Debtor's exclusive property, and to protect Secured Parties's interest therein, including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings.
- (k) To the best of Debtor's knowledge, Debtor has no notice of any material infringement or unauthorized use presently being made of any of the Patents that would adversely affect in any material respect the fair market value of the Patents or the benefits of this Agreement granted to Secured Parties, including, without limitation, the remedies of Secured Parties hereunder. There has been no judgment holding any of the Patents invalid or unenforceable, in whole or in part, nor is the validity or enforceability of any of the Patents presently being questioned in any litigation or proceeding to which Debtor is a party. Debtor shall promptly notify Secured Parties if Debtor (or any affiliate or subsidiary thereof or any Guarantor) learns of any use by any person of any other process or product which infringes upon any Patent. If requested by Secured Parties, Debtor, at Debtor's expense, shall join with Secured Parties in such action as Secured Parties, in Secured Parties's discretion, may deem advisable for the protection of Secured Parties's interest in and to the Patents.

- (l) Debtor assumes all responsibility and liability arising from the use of the Patents and Debtor hereby indemnifies and holds Secured Parties harmless from and against any claim, suit, loss, damage or expense (including reasonable attorneys' fees and legal expenses) arising out of any alleged defect in any product manufactured, promoted or sold by Debtor in connection with any Patent or out of the manufacture, promotion, labelling, sale or advertisement of any such product by Debtor (or any affiliate or subsidiary thereof). The foregoing indemnity shall survive the payment of the Obligations, the termination of this Agreement and the termination or non-renewal of the Loan Agreement.
- (m) Debtor shall promptly pay Secured Parties for any and all expenditures made by Secured Parties pursuant to the provisions of this Agreement or for the defense, protection or enforcement of the Obligations, the Collateral or the security interests and conditional assignment granted hereunder, including, but not limited to, all filing or recording fees, court costs, collection charges, travel expenses and reasonable attorneys' fees and legal expenses. Such expenditures shall be payable on demand, together with interest at the rate then applicable to the indebtedness of Debtor to Secured Parties set forth in the Loan Agreement and shall be part of the Obligations secured hereby.

#### **4. EVENTS OF DEFAULT**

All Obligations shall become immediately due and payable, without notice or demand, at the option of Secured Parties, upon the occurrence of any default under the Loan Agreement (each an "Event of Default" hereunder).

#### **5. RIGHTS AND REMEDIES**

At any time an Event of Default exists or has occurred and is continuing, in addition to all other rights and remedies of Secured Parties, whether provided under this Agreement, the Loan Agreement, the other Financing Agreements, applicable law or otherwise, Secured Parties shall have the following rights and remedies which may be exercised without notice to, or consent by, Debtor except as such notice or consent is expressly provided for hereunder:

- (a) Secured Parties may, in its good faith determination, require that neither Debtor nor any affiliate or subsidiary of Debtor make any use of the Patents for any purpose whatsoever. Secured Parties may make use of any Patents for the sale of goods, completion of work-in-process or rendering of services or otherwise in connection with enforcing any other security interest granted to Secured Parties by Debtor or for such other reason as Secured Parties may determine.
- (b) Secured Parties may grant such license or licenses relating to the Collateral for such term or terms, on such conditions, and in such manner, as Secured Parties shall in its discretion deem appropriate. Such license or licenses may be general, special or otherwise, and may be granted on an exclusive or non-exclusive basis throughout all or any part of the United States of America, its territories and possessions, and all foreign countries.

- (c) Secured Parties may assign, sell or otherwise dispose of the Collateral or any part thereof, either with or without special conditions or stipulations except that if notice to Debtor of intended disposition of Collateral is required by law, the giving of ten (10) days' prior written notice to Debtor of any proposed disposition shall be deemed reasonable notice thereof and Debtor waives any other notice with respect thereto. Secured Parties shall have the power to buy the Collateral or any part thereof, and Secured Parties shall also have the power to execute assurances and perform all other acts which Secured Parties may, in its discretion, deem appropriate or proper to complete such assignment, sale or disposition. In any such event, Debtor shall be liable for any deficiency.
- (d) In addition to the foregoing, in order to implement the assignment, sale or other disposition of any of the Collateral pursuant to the terms hereof, Secured Parties may at any time execute and deliver on behalf of Debtor, pursuant to the authority granted in the Powers of Attorney described in Section 3(f) hereof, one or more instruments of assignment of the Patents (or any application, registration or recording relating thereto), in form suitable for filing, recording or registration. Debtor agrees to pay Secured Parties on demand all costs incurred in any such transfer of the Collateral, including, but not limited to, any taxes, fees and reasonable attorneys' fees and legal expenses. Debtor agrees that Secured Parties has no obligation to preserve rights to the Patents against any other parties.
- (e) Secured Parties may first apply the proceeds actually received from any such license, assignment, sale or other disposition of Collateral to the costs and expenses thereof, including, without limitation, reasonable attorneys' fees and all legal, travel and other expenses which may be incurred by Secured Parties. Thereafter, Secured Parties may apply any remaining proceeds to such of the Obligations as Secured Parties may in its discretion determine. Debtor shall remain liable to Secured Parties for any of the Obligations remaining unpaid after the application of such proceeds, and Debtor shall pay Secured Parties on demand any such unpaid amount, together with interest at the rate then applicable to the indebtedness of Debtor to Secured Parties set forth in the Loan Agreement.
- (f) Debtor shall supply to Secured Parties or to Secured Parties's designee, Debtor's knowledge and expertise relating to the manufacture and sale of the products and services to which the Patents relate and Debtor's customer lists and other records relating to the Patents and the distribution thereof.
- (g) Nothing contained herein shall be construed as requiring Secured Parties to take any such action at any time. All of Secured Parties's rights and remedies, whether provided under this Agreement, the other Financing Agreements, applicable law or otherwise, shall be cumulative and none is exclusive. Such rights and remedies may be enforced alternatively, successively or concurrently.

## 6. GOVERNING LAW



- (a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the laws of the Province of Alberta, Canada (without giving effect to principles of conflicts of law).
- (b) Secured Parties shall not have any liability to Debtor (whether in tort, contract, equity or otherwise) for losses suffered by Debtor in connection with, arising out of or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Secured Parties that the losses were the result of acts or omissions constituting gross negligence or wilful misconduct. In any such litigation, Secured Parties shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement and the other Financing Agreements.

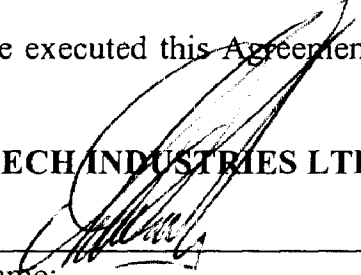
## 7. MISCELLANEOUS

- (a) All notices, requests and demands hereunder shall be given in accordance with the terms of the Loan Agreement.
- (b) All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to Debtor and Secured Parties pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 7(e) hereof.
- (c) This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon Debtor and its successors and assigns and inure to the benefit of and be enforceable by Secured Parties and its successors and assigns.
- (d) If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.
- (e) Neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written

agreement signed by an authorized officer of Secured Parties. Secured Parties shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Secured Parties. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Secured Parties of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Secured Parties would otherwise have on any future occasion, whether similar in kind or otherwise.


IN WITNESS WHEREOF Debtor and Secured Parties have executed this Agreement as of the day and year first above written.

**CAM TECH INDUSTRIES LTD.**

Per:   
Name:  
Title:


Per: \_\_\_\_\_  
Name:  
Title:

**ROYNAT CAPITAL INC.**

Per:   
Name: R. Chappell  
Title: Director of Equity

Per: \_\_\_\_\_  
Name:  
Title:

**BANK OF MONTREAL CAPITAL CORPORATION**

Per:   
Name: Max Chan  
Title: Associate

Per: \_\_\_\_\_  
Name:  
Title:

**BUSINESS DEVELOPMENT BANK OF  
CANADA**

Per: \_\_\_\_\_

Name: OWEN RENTON

Title: TEAM LEADER, SUBORDINATED  
FINANCING

Per: \_\_\_\_\_

Name:

Title:

**EXHIBIT A  
TO  
PATENT COLLATERAL ASSIGNMENT  
AND SECURITY AGREEMENT**

**LIST OF PATENTS AND PATENT APPLICATIONS**

<u>Patent Description</u>	<u>Application Number</u>	<u>Filing Date</u>	<u>Atty Docket No.</u>
A working tool having counterbalancing means	<u>09/843,039</u>	<u>04/25/01</u>	<u>MBM/027 8752</u>

**EXHIBIT B  
TO  
PATENT COLLATERAL ASSIGNMENT  
AND SECURITY AGREEMENT  
LICENSES**

**None**





MACPHERSON LESLIE  
& TYERMAN LLP  
LAWYERS

CALGARY OFFICE:  
Canterra Tower  
4302 - 400 3rd Avenue S.W.  
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D/S



Michael J. Clark, Visiting Lawyer in Alberta  
Direct Line: (403) 693-4303  
E-mail: MClark@mlt.com

November 8, 2002

VIA COURIER

United States Patent and Trademark Office  
Box Assignments  
Washington, D.C. 20231

Attention: Commissioner

Dear Sir or Madam:

Re: United States Patent Application No. 09/843,039  
- Recording of Security Agreement  
Our File: 26817-4

We are counsel to RoyNat Capital Inc., Bank of Montreal Capital Corporation and Business Development Bank of Canada, each of which have been granted a security interest in United States Patent Application No. 09/843,039 by CAM Tech Industries Inc.

We are enclosing a Recordation Form Cover Sheet in respect of this security interest, along with a bank draft in the amount of US \$40.00 in payment of the filing fees thereof.

If you have any questions with respect to the above, please do not hesitate to contact the undersigned.

Yours truly,

MacPherson Leslie & Tyerman LLP

Per:   
Michael J. Clark, Visiting Lawyer in Alberta

MJC/dm  
Enclosure

cc: RoyNat Capital Inc. - Attn: **Mr. Randy Chappell** (via fax)  
Bank of Montreal Capital Corporation - Attn: **Mr. Max Chan** (via fax)  
Pro Venture Law LLP - Attn: **Mr. Henry Smith** (via fax)  
MacPherson, Leslie & Tyerman - Attn: **Mr. Doug Osborn** (via fax)