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11.6.03

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Director of the United States Patent and Trademark Office  
P. O. Box 1450  
Alexandria, VA 22313-1450

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

1. Name of conveying party(ies):

Cadillac Coatings Inc.

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

Name: 810136 ALBERTA LTD.

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

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

3. Nature of Conveyance:

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

Street Address:

Box 42009 RPO  
Milbourne, Edmonton AB  
T6K 4C4  
CANADA

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

2003 NOV -6 AM 7:47  
OFF FINANCE

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) filed on \_\_\_\_\_

B. Patent No(s). 6,214,421 B1 issued on April 10, 2001

Additional numbers attached?  Yes  No

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

Customer No. 020210  
Davis & Bujold, P.L.L.C.  
Fourth Floor  
500 North Commercial Street  
Manchester NH 03101-1151  
Telephone 603-624-9220  
Facsimile 603-624-9229  
E-mail: [patent@davisandbujold.com](mailto:patent@davisandbujold.com)

6. Total number of applications and patents involved: 1

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

- is enclosed.
- was previously paid.
- Please charge any fee deficiency or credit any overpayment to our Deposit Account listed below.

8. Deposit account number:

04-0213

(Attach duplicate copy of this page if paying by deposit account)

9. Statement and signature.

To the best of my knowledge and belief, the foregoing is true and correct and any attached copy is a true copy of the original document.

Michael J. Bujold

Name of Attorney of Record

*Michael Bujold*  
Signature

November 4, 2003

Date

Attorney Registration No. 32,018

Total number of pages including cover sheet, attachments and document: [20]

GENERAL SECURITY AGREEMENT DATED EFFECTIVE OCTOBER 9, 2003

Cadillac Coatings Inc. (the "Debtor"), has its head office address at #97 Breckenwoods, 51308 R.R. 224, Sherwood Park, Alberta T8C 1H3.

In consideration of 810136 Alberta Ltd. (the "Secured Party"), advancing funds to the Debtor from time to time, the Debtor hereby acknowledges itself indebted to the Secured Party and the Debtor agrees to the terms and conditions contained herein.

1. DEFINITIONS

The following terms shall have the following definitions as used in this Agreement:

- (a) "Account" or "Accounts" means one or more monetary obligations not evidenced by Chattel Paper, an Instrument or a Security, whether or not it has been earned by performance, and in addition shall include, all Accounts now or hereafter owned or acquired by the Debtor whether in addition thereto, substitution therefor, replacement thereof, or otherwise;
- (b) "Accounts Receivable" shall mean all debts, accounts, claims, monies and choses in action, which now are, or which may at any time hereafter be due or owing to or owned by the Debtor and also all securities, mortgages, bills, notes and other documents now held, or owned, or which may be hereafter taken, held or owned by or on behalf of the Debtor, in respect of the said debts, accounts, claims, monies and choses in action, or any part thereof, and also all books, documents and papers recording, evidencing or relating to the said debts, accounts, claims, moneys and choses in action, or any part thereof;
- (c) "Advance" or "Advances" means the payment of money, the provision of or giving of value by or on behalf of the Secured Party to the Debtor or its nominee;
- (d) "Agreement" means this security agreement;
- (e) "Chattel Paper" shall have the meaning as defined in the PPSA, and in addition shall include, all Chattel Paper now or hereafter owned or acquired by the Debtor, whether in addition thereto, substitution therefor, replacement thereof, or otherwise;
- (f) "Collateral" shall mean Accounts, Accounts Receivable, Chattel Paper, Documents of Title, Equipment, Instruments, Inventory, Intangibles, Money, Proceeds, and Security and any and all other present and after-acquired personal property of any kind or nature whatsoever and wheresoever located, of the Debtor and all Proceeds thereof;
- (g) "Consumer Goods" shall have the meaning as defined in the PPSA, and in addition shall include, all Consumer Goods now or hereafter owned or acquired by the Debtor, whether in addition thereto, substitution therefor, replacement thereof, or otherwise;
- (h) "Debtor" shall mean Cadillac Coatings Inc.;

- (i) **"Default"** shall mean the occurrence of any one of the events as described in clause 9;
- (j) **"Document of Title"** or **"Documents of Title"** shall have the meaning as defined in the PPSA, and in addition shall include all Documents of Title now or hereafter owned or acquired by the Debtor whether in addition thereto, substitution therefor, replacement thereof, or otherwise;
- (k) **"Equipment"** shall mean all tools, machinery, equipment, furniture, plant, fixtures, vehicles, fixed goods, chattels and other tangible personal property, now owned or hereafter acquired by the Debtor and used in the operation of the Debtor's business;
- (l) **"Indebtedness"** means and shall include all indebtedness, liabilities and obligations owed by the Debtor to the Secured Party whatsoever, including all costs, charges and expenses of or incurred by the Secured Party, including legal costs on a solicitor and his own client full indemnity basis, in connection with any action or proceedings taken hereunder or under any other agreement, instrument or security given by or taken from the Debtor or which may be taken by the Secured Party (and any renewals thereof and substitutions therefor) or any such agreement, instrument or security (whether in protecting, preserving, realizing or collecting any property or security or attempting so to do or otherwise) and all other obligations and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, of the Debtor to the Secured Party arising from any agreement, instrument or dealings between the Secured Party and the Debtor, or from any agreement, instrument or dealings with any person by which the Secured Party may be or become in any manner whatsoever a creditor of the Debtor, or otherwise howsoever arising and whether the Debtor be bound alone or with another or others and whether as principal or surety;
- (m) **"Instrument"** or **"Instruments"** shall have the meaning defined in the PPSA, and in addition shall include, all Instruments now or hereafter owned or acquired by the Debtor whether in addition thereto, substitution therefor, replacement thereof, or otherwise;
- (n) **"Intangibles"** shall mean all intangible property now owned or hereafter acquired by the Debtor and which are not included in sub-paragraph (a) above, including, without limitation, all contractual rights, goodwill, patents (including patent licenses), trademarks, trade names, copyrights, other industrial property and the undertaking of the Debtor;
- (o) **"Inventory"** shall mean all goods or chattels now or hereafter forming the inventory of the Debtor, including, without limitation, all goods, merchandise, raw material, work in process, finished goods and chattels held for sale, lease or resale, or furnished or to be furnished under contracts for service or used or consumed in the business of the Debtor; goods used in or procured for packing or packaging, and in addition shall include, all Inventory now or hereafter owned or acquired by the Debtor whether in addition thereto, substitution therefor, replacement thereof or otherwise;
- (p) **"Secured Party"** shall mean 810136 Alberta Ltd.;

- (q) **"Money"** shall have the meaning defined in the PPSA, and in addition shall include, all money now or hereafter owned or acquired by the Debtor whether in addition thereto, substitution therefor, replacement thereof, or otherwise;
- (r) **"Permitted Encumbrances"** shall mean those encumbrances outlined on Schedule "A";
- (s) **"PPSA"** shall mean the Personal Property Security Act R.S.A. 2000, c. P-7, and any amendments thereto;
- (t) **"Proceeds"** shall mean all property in any form derived directly or indirectly from any dealing with the undertaking and property of the Debtor including property that indemnifies or compensates for property stolen, lost, destroyed or damaged, and in addition shall include, all Proceeds now or hereafter owned or acquired by the Debtor whether in addition thereto, substitution therefor, replacement thereof, or otherwise;
- (u) **"Security" or "Securities"** shall have the meaning as defined in the PPSA, and in addition shall include, all Securities now or hereafter owned or acquired by the Debtor whether in addition thereto, substitution therefor, replacement thereof, or otherwise;
- (v) **"Security Interest"** shall mean the security interest granted under clause 2.1.

All other terms not capitalized and used in this Agreement and in any attached Schedules shall have the meanings as defined or utilized in the PPSA.

## 2. SECURITY INTEREST

### 2.1 Grant of Security Interest

To secure payment of the Indebtedness and performance of all obligations relating to the Indebtedness or any agreements or documents which evidence of describe the Indebtedness, the Debtor grants a Security Interest to the Secured Party, in the Collateral.

### 2.2 Attachment of Security Interest

The Debtor warrants and acknowledges to the Secured Party that:

- (a) The parties intend the Security Interest granted under this clause 2 attaches upon execution of this Agreement;
- (b) The parties intend the Security Interest created in any after-acquired property of the Debtor to attach at the same time as the Debtor acquires rights in the said after-acquired property;
- (c) Value has been given; and
- (d) The Debtor presently has rights in the Collateral, except the after-acquired property.

3. CONTINUOUS INTEREST

The Security Interest shall be a continuous charge notwithstanding the obligations may be performed and the Indebtedness may be fluctuating and even may from time to time, and at any time, be reduced to a nil balance and notwithstanding monies or credit advanced may be repaid or further monies may be owing and additional credit may be given to, or to the order of, the Debtor or in respect of which the Debtor is liable.

4. AUTHORIZED DEALING WITH COLLATERAL

Until Default, or until the Secured Party provides written notice to the contrary to the Debtor, the Debtor may deal with the Collateral in the ordinary course of the Debtor's business in any manner not inconsistent with the provisions of this Agreement, provided that the Debtor may not, and agrees that it will not, without the prior written consent of the Secured Party:

- (a) Sell or dispose of any of the Collateral other than in ordinary course of the Debtor's business as it is presently conducted and for the purpose of carrying on that business; and
- (b) Create or incur any other interest, security interest, lien, assessment, or encumbrance upon any of the Collateral.

If the Collateral comprises any Chattel Paper, Documents of Title, Instruments, Intangibles, Money, or Security the Debtor shall, upon request, deliver the same to the Secured Party and will allow the Secured Party to retain possession of the same.

5. RELEASE BY THE SECURED PARTY

The Secured Party may, in its sole, absolute and unfettered discretion, at any time release from the Security Interest:

- (a) Any part or parts of the Collateral, or any part or parts of the Indebtedness;
- (b) Any other security interest, or any interest granted in land given by the Debtor;

either with, or without, sufficient consideration therefor, without thereby releasing any other part of the Collateral or any person from this Agreement.

6. COLLECTION OF DEBTS

Before or after Default, the Secured Party may notify all or any account debtors of the Security Interest and may also direct such account debtors to make all payments on Collateral to the Secured Party. Before or after Default, the Debtor acknowledges any payments or other proceeds of Collateral received by the Debtor from account debtors shall be received and held by the Debtor in trust for the Secured Party. The Debtor acknowledges that after Default, any payments or other proceeds of Collateral received by the Debtor from account debtors, whether before or after notification of this Security Interest to account debtors shall be segregated from other funds of the Debtor and shall be received and held by the Debtor in trust for the Secured Party and shall be forthwith paid over to the Secured Party immediately. The Debtor shall furnish the Secured Party with all information, (including but not limited to, a detailed list of accounts receivable of the Debtor), which may assist in the collection of all

Accounts and any other monies or debts due to the Debtor, on the 15th day of each month or on such other date as the Secured Party may in its sole, absolute and unfettered discretion select.

7. REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

The Debtor hereby represents and warrants to the Secured Party that:

- (a) The Debtor has rights in the Collateral, and the Debtor has not created nor granted any other security interests, mortgages, liens, claims, charges or other encumbrances against the Collateral except for the Permitted Encumbrances;
- (b) The Debtor has full power and authority to conduct its business and own its properties in all jurisdictions in which the Debtor carries on business and has full power and authority to execute, deliver and perform all of its obligations under this Agreement;
- (c) This Agreement constitutes legal, valid and binding obligations of the Debtor;
- (d) There is no provision in any agreement to which the Debtor is a party, nor to the knowledge of the Debtor is there any statute, rule or regulation, binding on the Debtor which would be contravened by the execution of this Agreement;
- (e) There is no judgment, decree or order of any Court, nor any litigation, proceeding or dispute pending, or to the knowledge of the Debtor threatened, against or affecting the Debtor or the Collateral, the determination of which might adversely affect the Debtor's financial condition or operations or impair the Debtor's ability to perform its obligations hereunder;
- (f) The name(s) of the Debtor is/are accurately and fully set out above, and the Debtor is not known by any other name(s);
- (g) The Debtor is and shall be during the time that the Indebtedness remains outstanding, a body corporate duly incorporated, properly organized, validly existing in good standing and qualified to do business under the laws of the Province of Alberta, and such other jurisdictions within which it is carrying on business;
- (h) The contents of all documents furnished to the Secured Party by or on behalf of the Debtor, to induce the Secured Party to enter into any agreement, extend any credit to the Debtor forming part of the Indebtedness or take any other course of action, are true and correct and accurately set out all of the facts contained therein;
- (i) All financial information and statements which have been delivered to the Secured Party are true and accurate and have been prepared in accordance with generally accepted accounting principles consistently applied and fairly represent the financial position of the Debtor which each purports to reflect, and the financial position so reflected has not suffered any adverse change to the date hereof;
- (j) The Debtor and the Collateral are not now and shall not be, at any time during the time that the Indebtedness remains outstanding, a party to or bound by any

contract, agreement or undertaking or subject to any restriction in constating documents or to any other corporate, contractual or personal restrictions howsoever imposed, that would adversely affect the business, Collateral, or financial condition of the Debtor;

- (k) The Debtor has conducted and will conduct its business so as to comply in all respects with all federal, provincial and municipal laws and regulations including, without limitation, environmental, occupational safety or health laws, rules, regulations and requirements, and building code requirements;
- (l) All sums payable by the Debtor on account of taxes or levies relating to the Collateral or the business of the Debtor have been paid, and there are no taxes, levies or charges now due which may become a charge upon or adversely affect the Collateral;
- (m) All policies of fire and extended coverage insurance with respect to the Collateral are in good standing and the premiums with respect to same, have been paid as at the date hereof;
- (n) The Debtor has made all appropriate income tax filings when due and has paid all income taxes due thereunder;
- (o) The Collateral is in good condition and repair, and the Debtor has maintained the Collateral in good condition and repair;
- (p) Each Account, Account Receivable, Chattel Paper, Instrument, and Intangible is enforceable in accordance with its terms against the party obligated to pay the same and the amount represented by the Debtor to the Secured Party from time to time as owing thereunder will be the correct amount actually and unconditionally owing.

8. COVENANTS OF THE DEBTOR

The Debtor hereby covenants with the Secured Party that:

- (a) The Debtor will maintain the Collateral free of all liens, charges, interests and encumbrances, except the Permitted Encumbrances or any liens, charges, interests or encumbrances hereafter approved in writing by the Secured Party prior to their creation or assumption, and will defend its rights in the Collateral for the benefit of the Secured Party against the claims and demands of all persons;
- (b) The Debtor will maintain the Collateral in good condition and repair, and will not allow the value of the Collateral to be impaired, and will permit the Secured Party or such person as the Secured Party may from time to time appoint, to enter into any premises where the Collateral may be kept to view its condition;
- (c) The Debtor will conduct its business in a proper and business-like manner and will keep proper books of account and records of its business, and upon request will furnish access to the Secured Party to its books and records at all reasonable times, and will give to the Secured Party any information which it may reasonably require relating to the Debtor's business;

- (d) The Debtor will conduct its business and deal with the Collateral in compliance with all federal, provincial, and municipal laws, rules, regulations, and requirements including, without limitation, environmental, occupational safety or health laws, rules, regulations and requirements;
- (e) The Debtor will punctually pay all rents, taxes, rates and assessments lawfully assessed or imposed upon any property or income of the Debtor and will punctually pay all debts and obligations to laborers, workmen, employees, contractors, subcontractors, suppliers of materials and other debts which, when unpaid, might under the laws of Canada or any province or municipality of Canada have priority over or rank equal with the Security Interest granted by this Agreement;
- (f) The Debtor will punctually make all payments and perform all obligations in any contracts to which the Debtor is a party, including but not limited to, any lease of personal or real property by the Debtor and under any agreement charging personal or real property of the Debtor;
- (g) The Debtor will immediately in writing give notice to the Secured Party of:
  - (i) any change in the location of the Collateral;
  - (ii) the details of any acquisition or disposition of Collateral (whether authorized by the Secured Party or not);
  - (iii) any loss of or damage to Collateral;
  - (iv) the details of any claims or litigation affecting the Debtor or Collateral; and
  - (v) any change of its name;
- (h) The Debtor will, at its own expense, insure and keep insured against loss or damage by fire or other insurable hazards the Collateral to the extent of its full insurable value, and will maintain all such other insurance as the Secured Party may reasonably require. The loss under the policies of insurance will be made payable to the Secured Party as its interest may appear and will be written by an insurance company approved by the Secured Party in terms satisfactory to the Secured Party. The Debtor will pay all premiums and other sums of money necessary for such purposes as they become due and deliver to the Secured Party proof of said payment, and will not allow anything to be done by which the policies may become vitiated or canceled. Upon the happening of any loss or damage the Debtor will furnish at its own expense all necessary proofs and will do all necessary acts to enable the Secured Party to obtain payment of the insurance monies. The policies of insurance shall contain a clause stating that the insurance coverage shall not be canceled without first providing thirty (30) days prior written notice to the Secured Party;
- (i) The Debtor will not remove nor cause to be removed, any of the Collateral from the locations specified herein, unless in compliance with the terms of this Agreement, or with prior written consent of the Secured Party.



- (j) The Debtor will not, without the prior written consent of the Secured Party, permit any sale in bulk or other disposition of the Collateral or otherwise dispose of the whole or substantially the whole of its business or undertaking;
- (k) The Debtor will not cause or permit any amalgamation with any other corporation, continue into any other jurisdiction, or become subject to any order for reorganization pursuant to the statute under which it is incorporated;
- (l) The Debtor will keep proper books of account and records covering all its business and affairs and will permit the Secured Party, its representatives or agents from time to time to inspect the Debtor's books of account and records and to make extracts therefrom;
- (m) The Debtor will provide the Secured Party at all reasonable times with such information as it shall require as to all matters relating to the business of the Debtor.

9. DEFAULT

The happening of any of the following shall constitute a default under this Agreement:

- (a) If the Debtor fails to pay to the Secured Party, when due, the Indebtedness or any part thereof;
- (b) If the Debtor breaches any covenant, proviso, statement, representation or warranty in this Agreement or any other agreement between the Debtor and Secured Party;
- (c) If the Debtor defaults under or is in breach of any other loan, mortgage or security agreement or any other agreements to which the Debtor is a party;
- (d) If any covenant, proviso, statement, representation or warranty made by the Debtor to the Secured Party in respect of the Debtor or the Collateral, is breached or proves to have been, or becomes, false or misleading;
- (e) If any of the licenses, permits or approvals granted by any government or any governmental authority and essential to the business of the Debtor is withdrawn, canceled or significantly altered;
- (f) If the Debtor shall create or attempt to create any mortgage, charge or permit any lien to be created, or arise on any of the Collateral except as otherwise permitted herein;
- (g) If the Debtor should fail to pay any charges, rents, taxes, or rates on leasehold property, or other charges of a like nature, or if the Debtor fails to observe and perform any of the covenants, payments or conditions in any lease, license, concession, agreement, mortgage, agreement for sale, charge or encumbrance;
- (h) If the Debtor shall lose its charter by forfeiture, or otherwise;
- (i) If there is any change whatsoever in the shareholdings of the Debtor, without the prior written consent of the Secured Party;

- (j) If any execution, sequestration, garnishee, extent, or distress or any other like process is levied or enforced against the Collateral or any property of the Debtor, or a secured party takes possession of any of the Debtor's property or the Collateral;
- (k) If any adverse change occurs, in the reasonable opinion of the Secured Party, in the business, prospects, Collateral, or condition of Collateral, financial or otherwise, of the Debtor;
- (l) The Secured Party in good faith believes and has commercially reasonable grounds to believe that the prospect of payment of the Indebtedness or performance by the Debtor of its obligations is or is about to be impaired, or that the Collateral is or is about to be placed in jeopardy;
- (m) The Debtor ceases, or demonstrates an intention to cease to carry on business, or disposes or purports to dispose of all, or a substantial part of its assets;
- (n) The Debtor becomes insolvent or makes an assignment for the benefit of its creditors, or a Bankruptcy Petition or Receiving Order is filed or made against the Debtor, or if a custodian, or receiver, or receiver and manager, or other officer with similar powers, is appointed with respect to the Debtor or any of the Collateral, or the Debtor commits or demonstrates an intention to commit any act of bankruptcy, or the Debtor otherwise becomes subject to the provisions of the Bankruptcy and Insolvency Act (Canada), or any other Act for the benefit of its creditors;
- (o) If an order shall be made, or a resolution passed for the winding-up of the Debtor, or if a petition is filed for the winding-up of the Debtor;
- (p) If the Debtor passes or purports to pass any resolution, or takes or purports to take any corporate proceedings, to enable it to take proceedings for its dissolution, wind-up, liquidation or amalgamation;
- (q) On the death of the life insured under any policy of insurance, now or hereafter assigned to the Secured Party as Collateral.

## 10. RIGHTS OF SECURED PARTY

### 10.1 Power of Attorney

The Debtor hereby irrevocably constitutes and appoints the Secured Party from time to time, to be the true and lawful attorney of the Debtor, with full power of substitution, to do all acts and things on behalf of and in the name of the Debtor as authorized in the articles and by-laws of the Debtor whenever and wherever it may deemed necessary or expedient by the Secured Party.

### 10.2 Remedies of Secured Party on Default

Whenever the Debtor is in Default under this Agreement:

- (a) The Secured Party may seize or otherwise take possession of the Collateral or any part thereof and sell the same by public or private sale at such price and upon such terms and at such locations, as the Secured Party in its sole, absolute

and unfettered discretion may determine and the proceeds of such sale less all costs and expenses of the Secured Party (including costs as between a solicitor and its own client on a full indemnity basis) shall be applied against the Indebtedness;

- (b) The Secured Party may enforce this Agreement by any method provided for in this Agreement or as permitted by law, and to dispose of the Collateral by any method provided for in this Agreement or as permitted by law, including disposal by lease or deferred payment;
- (c) The Secured Party may make payments to parties having prior charges or encumbrances on any property or properties which the Debtor may hold charges or encumbrances;
- (d) The Secured Party may enter onto any premises where the Collateral is located, and may there upon take immediate possession of the Collateral, and for this purpose it shall be and may be lawful for the Secured Party and any officer, servant, agent or bailiff of the Secured Party, and with such other assistance as it may require, at any time during the day to enter in or upon any lands, building or premises where any of the Collateral may be located, and to break and force open any door, lock, hinge, fastening, gate, fence, building, enclosure or place, or other barrier, for the purpose of taking possession of and removing any or all of the Collateral;
- (e) The Secured Party may take possession of all or any part of the Collateral with the power to exclude the Debtor, its agents and servants therefrom, without becoming liable as a mortgagee in possession;
- (f) The Secured Party may notify the account debtors or obligors under any Accounts included in the Collateral of the security interests granted in such Accounts to the Secured Party, and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Debtor thereunder, directly to the Secured Party and to give valid and binding receipts and discharges therefor, and in respect thereof and, upon such notification and at the expense of the Debtor, to enforce collection of any such Accounts, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Debtor might have done;
- (g) The Secured Party may preserve, protect and maintain the Collateral and make such replacements thereof and additions thereto, as the Secured Party shall in its sole, absolute and unfettered discretion deem advisable;
- (h) The Secured Party may enjoy and exercise all powers necessary or incidental to the performance of all functions provided for in this Agreement, including, without limitation, the power to carry on the business of the Debtor, the power to purchase on credit, the power to borrow in the Debtor's name, or in the name of any receiver, and to advance its own money for such purposes at such rates of interest as it may deem reasonable, provided that any receiver shall borrow money only with prior consent of the Secured Party, and to grant security interests in the Collateral to secure the money so borrowed;

- (i) The Secured Party may commence, continue or defend proceedings in any Court of competent jurisdiction in the name of the Debtor, a receiver, or the Secured Party, for the purpose of exercising any of their rights, powers and remedies set out in this Agreement, including the institution of proceedings for the appointment of a receiver of the Collateral;
- (j) The Secured Party may elect to retain all or any part of the Collateral in satisfaction of the obligations of the Debtor, to the extent permitted by law;
- (k) Neither the Secured Party nor the sheriff will be required to take any steps to preserve any rights against other parties pursuant to any Chattel Paper, Instrument or Security constituting the Collateral or any part of it;
- (l) Neither the Secured Party nor the sheriff is required to keep the Collateral or any part thereof, identifiable;
- (m) The Secured Party may use the Collateral in any manner it deems advisable;
- (n) The Secured Party may appoint any person or persons to be a receiver or a receiver-manager of the Collateral or any part thereof, and may remove any person so appointed and appoint another in its stead. The term "receiver" where used in this Agreement, includes a receiver-manager;
- (o) Any receiver will have the following powers:
  - (i) To take possession or custody and control of any Collateral;
  - (ii) To take or defend or continue any proceedings in the name of the Debtor or in its own name or otherwise;
  - (iii) To carry on or concur in carrying on the business of the Debtor;
  - (iv) To mortgage or encumber any Collateral;
  - (v) To dispose of any Collateral by private or public sale, lease or deferred payment, or in any other manner the receiver deems fit;
  - (vi) To make any arrangement or compromise which the receiver may deem expedient;
  - (vii) To pay or assume any liabilities or expenses connected with the Collateral or the business of the Debtor, including without limitation, the cost of insurance or payment of taxes or other charges incurred in obtaining, maintaining possession of or preserving the Collateral, and the same shall be added to the Indebtedness and secured by the Collateral;
  - (viii) To receive the revenues, income or profits of the Collateral or from the business of the Debtor;
  - (ix) To hold as additional security, any increase or profits resulting from the Collateral or the business of the Debtor;

- (x) To exercise all rights that the Secured Party has under this Agreement, or otherwise at law;
- (xi) With the consent of the Secured Party in writing, to borrow money for the purpose of carrying on the business of the Debtor or for the maintenance, preservation or protection of any Collateral or for any other purpose approved by the Secured Party, and any amount so borrowed together with interest thereon, shall form a security interest in the Collateral in priority to the Security Interest created by this Agreement;
- (xii) To enter into and to occupy any business premises or any premises where any Collateral is located in which the Debtor has any interest, for the purpose of exercising any of the rights and powers under this Agreement;
- (xiii) To employ or retain for the execution of the duties and powers conferred hereunder, such agents, assistants, professional advisors or other persons as required on the terms and at the remuneration the receiver deems proper;
- (xiv) To exercise all or any of the powers or rights incident to the ownership of the Collateral;
- (xv) The Debtor irrevocably constitutes and appoints any receiver to be its attorney to on its behalf, to do all acts and things on behalf of and in the name of the Debtor as may be authorized by the articles or bylaws of the Debtor including without limitation, carrying out any sale, lease, agreement or other document regarding the Collateral or business of the Debtor, and any such deed, lease, agreement or other document signed by a receiver under his seal pursuant hereto, will have the same effect as if it were executed by and under the seal of the Debtor;
- (xvi) Any receiver will be deemed to be the agent of the Debtor, and the Debtor will be solely responsible for his acts or defaults and for his remuneration and expenses, and the Secured Party will not be in any way responsible for any misconduct or negligence on the part of any receiver;
- (xvii) All fees, charges and expenses of the receiver, or any of its agents, assistants, or professional advisors, shall be paid by the Debtor on a full indemnity basis, and shall form a security interest in the Collateral;
- (xviii) The receiver appointed hereunder shall not be obliged to take possession or control of the whole of the business of the Debtor. Rather, the Secured Party's right to appoint hereunder, shall be restricted to the Collateral.

10.3 Right to Grant Indulgences and Relésés

The Secured Party may grant extensions of time and other indulgences, take and give up security instruments or security agreements, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with the Debtor and others and with Collateral and other security instruments or security agreements as the Secured Party may see fit, without prejudice to the Secured Party's rights in this Agreement. The Secured Party may demand, collect and sue on Collateral in either its own name or otherwise, and may endorse the Debtor's name on any and all cheques, commercial paper, or any other Collateral.

10.4 Rights Cumulative

All rights and remedies of the Secured Party set out in this Agreement shall be cumulative. No right or remedy contained herein is intended to be exclusive, but each shall be in addition to every other right or remedy contained herein, or in any existing or future security document, or now or hereafter existing at law or, in equity, or by statute.

10.5 Secured Party's Right to Perform

Upon the Debtor's failure to perform any of its duties under this Agreement, the Secured Party may, but shall not be obligated to, perform any such duties, and the Debtor will pay to the Secured Party, upon demand, an amount equal to the expense incurred by the Secured Party in so doing with interest thereon from the date such expense is incurred at the rate of eighteen (18%) Percent per annum.

10.6 Additional Requirements

The Secured Party may from time to time specify to the Debtor in writing requirements or restrictions to be performed and observed by the Debtor in respect of provision of financial information, capital, expenditures, incurring additional obligations, reduction of capital, distribution of assets, repayment of loans, lending of money, sale and other disposition of assets or such other matters as the Secured Party may think fit, and the Debtor agrees to perform and observe such requirements or restrictions to the same extent and effect as if the same were fully set forth in this Agreement.

10.7 Trust Created

If the Debtor removes any Collateral from the Province of Alberta without written consent from the Secured Party, or if the Secured Party does not register properly or fails to register its interest in the Collateral under this Agreement at the Personal Property Registry in Alberta or the Province or Territory or other jurisdiction where the Collateral has been relocated, the Debtor agrees to hold the Collateral so removed, in trust and for the sole benefit of the Secured Party.

11. NO LIABILITY FOR FAILURE TO EXERCISE REMEDIES

Neither the Secured Party nor any receiver shall be liable or accountable to the Debtor or to any other person for any failure to exercise, or for exercising improperly or negligently, any of the rights, powers and remedies set out in this Agreement, nor shall either be bound to commence, continue or defend proceedings for the purposes of preserving or protecting any rights in the same Collateral.

12. DEBTOR LIABLE FOR DEFICIENCY

If the funds or amounts received by the Secured Party or any receiver are not sufficient to fully retire the Indebtedness, the Debtor shall immediately pay the Secured Party the amount of such deficiency.

13. RESTRICTION ON DEBTOR

Upon the Secured Party taking steps to enforce the Security Interest in any Collateral after Default, all powers, functions, rights and privileges of the Debtor with respect to the Collateral shall, to the extent permitted by law, be suspended, unless specifically continued by the written consent of the Secured Party.

14. ACCELERATION

In an event of Default, the Secured Party, in its sole, absolute and unfettered discretion, may without demand or notice of any kind, declare all or any of the Indebtedness which is not by its terms payable on demand, to be immediately due and payable.

15. NOTICE

Any notice or demand required or permitted to be made or given by the Secured Party to the Debtor may be validly served by leaving the same, or by mailing the same by prepaid registered mail addressed to the Debtor at the address of the Debtor as shown above, and in the case of mailing such notice or demand, shall be deemed to have been received by the Debtor on the third business day following the date of mailing.

16. COSTS AND EXPENSES

The Debtor shall pay all costs and expenses of the Secured Party, its agents, officers and employees (including without limitation, legal fees and disbursements on a solicitor and his own client basis) incurred with respect to:

- (a) the preparation, perfection, execution and filing of this Agreement and the filing of any Financing Statement(s) and Financing Change Statement(s) with respect to this Agreement;
- (b) dealing with other creditors of the Debtor in connection with the establishment, confirmation, amendment or preservation of the priority of the Security Interest created by this Agreement;
- (c) the exercising of any or all of the rights, remedies and powers of the Secured Party under this Agreement or under any agreement which gives rise to the Indebtedness; and
- (d) recovering, seizing, or repossessing the collateral and any other proceedings taken for the purpose of enforcing the remedies provided herein, including, without limitation the appointment of a receiver, manager or receiver and manager, whether by Order of the Court or by private appointment.

The Debtor shall pay interest on such costs, charges and expenses incurred at the rate of eighteen (18%) Percent per annum and the amount of the same when paid by the

Secured Party shall be added to and form part of the indebtedness secured hereby, shall be repayable on demand, and shall be a charge on the Collateral.

17. SET-OFF

Without limiting any other right of the Secured Party, whenever the debts and liabilities of the Debtor to the Secured Party are immediately due and payable, or the Secured Party has the right to declare the debts and liabilities to be immediately due and payable, whether or not it has been so declared, the Secured Party may, in its sole, absolute and unfettered discretion, set-off against the said debts and liabilities any and all monies then owed by the Secured Party to the Debtor in any capacity, whether due or not due, and the Secured Party shall be deemed to have exercised such right of set-off immediately at the time of making its decision to do so, even though any charge therefor is made or entered on the Secured Party's records subsequent thereto.

18. ENUREMENT

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, or successors and assigns as the case may be. In any action brought by an assignee of this Agreement of the Security Interest created hereunder or any part thereof, the Debtor shall not assert against the assignee any claim or defence which the Debtor now has or hereafter may have against the Secured Party.

19. JOINT AND SEVERAL LIABILITY

If more than one person or entity executes this Agreement as the Debtor, then the obligations and liabilities of such persons or entities hereunder shall be joint and several.

20. ADDITIONAL AGREEMENTS

This Agreement is in addition to and not in substitution for any other security instruments or security agreements now or hereafter held by the Secured Party and all such other security instruments or security agreements shall remain in full force and effect.

21. FURTHER ASSURANCES

The Debtor further agrees to execute and deliver to the Secured Party, such further assurances and conveyances and supplemental deeds as may be necessary to properly carry out the intention of this Agreement, as determined by the Secured Party, or as may be required by the Secured Party from time to time.

22. RIGHT OF APPLICATION

The Secured Party may at anytime and from time to time apply and re-apply, notwithstanding any previous application, in any such manner as it sees fit, any monies received by it from the Debtor or as a result of any enforcement or recovery proceedings, in or toward payment of any portion of the Indebtedness.

23. WAIVER BY SECURED PARTY

Any breach by the Debtor of any provision contained in this Agreement or any Default by the Debtor in the observance or performance of any covenant or condition required to be observed or performed by the Debtor hereunder, may only be waived by the Secured Party



in writing, provided that no such waiver by the Secured Party shall extend to or be taken in any manner to affect any subsequent breach or default of the rights resulting therefrom. No delay or omission by the Secured Party in exercising any right or remedy hereunder shall operate as a waiver thereof or of any breach by the Debtor or event of Default giving rise to such right or remedy.

24. NO OBLIGATION TO ADVANCE

Neither the execution nor delivery of this Agreement shall oblige the Secured Party to make any advance or re-advance or provide credit to or an extension thereof, to the Debtor, the same always being in the discretion of the Secured Party.

25. NO CONSUMER GOODS

Notwithstanding any other clause in this Agreement, in no event shall goods that are used or acquired for use by the Debtor primarily for personal, family or household purposes, form part of the Collateral. The Debtor agrees and acknowledges that it does not intend to nor will it acquire goods from the Secured Party to be used by the Debtor primarily for personal, family or household purposes.

26. WAIVER BY DEBTOR

To the extent permitted by the PPSA, the Debtor waives all and any of its rights against the Secured Party under the PPSA, and waives compliance with all and any of the obligations imposed on the Secured Party under the PPSA. After Default, the Debtor hereby waives any of its rights to redemption or reinstatement.

27. NO REPRESENTATIONS BY SECURED PARTY

There are no representations, warranties, provisions, or covenants binding on the Secured Party save those expressly made in writing and signed by the Secured Party.

28. AMENDMENTS

This Agreement shall only be changed by agreement in writing, signed by the Secured Party and the Debtor.

29. SECURED PARTY'S DISCRETION

If any provision in this Agreement entitles or authorizes the Secured Party to make a decision, determination or form an opinion or exercise its discretion, then unless expressly stated to the contrary, the Debtor acknowledges and agrees that such a decision, determination, opinion or exercise of discretion, shall be made by the Secured Party in its sole, absolute and unfettered discretion.

30. NO MERGER

Nothing in this Agreement, and no act or omission by the Secured Party with respect to this Agreement, shall in any way prejudice the rights, remedies or powers of the Secured Party against the Debtor with respect to the Indebtedness of the Debtor to the Secured Party or the Security Interest, or any future security interest granted by the Debtor to the Secured Party. The Security Interest held by the Secured Party shall not operate by way of merger of any portion of the Indebtedness of the Debtor to the Secured Party hereunder, or

under any deed, mortgage, guarantee, contract, draft, instrument, or intangible, by which the same may now or at any time hereafter arise or be represented or evidenced, and no judgment recovered by the Secured Party shall merge or in any way affect any of the covenants contained in this Agreement, including without limitation, the right to claim interest on the indebtedness until fully retired.

31. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute one in the same instrument.

32. SEVERABILITY

If a portion of this Agreement is wholly or partially invalid, then this Agreement will be interpreted as if the invalid portion was severed and had not been a part of the Agreement.

33. PLURAL AND GENDER

Where the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary depending upon the person referred to being male, female or a body corporate.

34. RESERVATION OF LAST DAY OF LEASES

The last day of any term reserved by a lease or agreement to lease, is excepted out of the Security Interest hereby created, and does not form part of the Collateral, but the Debtor shall stand possessed of such last day in trust to assign same to any person acquiring such term.

35. GOVERNING LAW AND SUBMISSION TO JURISDICTION

This Agreement will be interpreted in accordance with the laws of the Province of Alberta, and the Debtor irrevocably agrees that any suit or proceeding with respect to any matters arising out of or in connection with this Agreement may be brought in the Courts of the Province of Alberta or in any Court of competent jurisdiction, as the Secured Party may elect, and the Debtor agrees to submit to and attorn to the same.

36. HEADINGS

The insertion of headings in this Agreement is for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

37. ACKNOWLEDGMENTS BY DEBTOR

37.1 Copy of Agreement

The Debtor hereby acknowledges receipt of a copy of this Agreement, and waives any rights it may have to receive a Financing Statement or Financing Change Statement or Verification Statement relating thereto.

37.2 Contra-Proferentum Not Applicable

The Debtor hereby acknowledges that the terms of this Agreement have been freely and voluntarily negotiated with the Secured Party and the application or presumption of the contra-proferentum rule is expressly negated and does not apply to this Agreement.

IN WITNESS WHEREOF the Debtor has executed this Agreement effective the date first above.

CADILLAC COATINGS INC.

Per:   
DENNIS PIDZARKO

SCHEDULE "A"

Permitted Encumbrances

Encumbrances to which the Secured Party has agreed to subordinate the Security Interest granted herein pursuant to the terms of that certain debenture granted (or to be granted) by Cadillac Coatings Inc. in the in the principal amount of \$300,000.

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