


C.C
D\$

01-02-2004

Form 10-1595 RARE 10/02		REC	U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office	
OMB No. 0651-0047 (exp. 6/30/2005)		102637472		
Tab settings → → → ▼ ▼ ▼ ▼				
To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.				
1. Name of conveying party(ies): Custom Pipe Handlers Inc.		2. Name and address of receiving party(ies) Name: <u>ERFA Holdings Ltd.</u> Internal Address: _____ Street Address: <u>501, 4901 - 48 Street</u> City: <u>Red Deer</u> State: <u>AB</u> Zip: <u>T4N 6M4</u>		
Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Additional name(s) & address(es) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
3. Nature of conveyance: <input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other _____				
Execution Date: <u>12/11/2003</u>				
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) <u>10/418,267</u> <u>10/418,718 and 10/683,379</u> B. Patent No.(s) _____ Additional numbers attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
5. Name and address of party to whom correspondence concerning document should be mailed: Name: <u>Sander R. Gelsing</u> Internal Address: _____ Street Address: <u>600, 4911 - 51st Street</u> City: <u>Red Deer</u> State: <u>AB</u> Zip: <u>T4N 6V4</u>		6. Total number of applications and patents involved: <u>3</u> 7. Total fee (37 CFR 3.41).....\$ <u>120.00</u> <input checked="" type="checkbox"/> Enclosed <input type="checkbox"/> Authorized to be charged to deposit account 8. Deposit account number: _____		
DO NOT USE THIS SPACE				
9. Signature. Sander R. Gelsing, Barrister & Solicitor Name of Person Signing  Signature 12/16/2003 Date				
Total number of pages including cover sheet, attachments, and documents: <u>14</u>				

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



GENERAL SECURITY AGREEMENT

TO: **ERFA HOLDINGS LTD.**
(herein referred to as "the Secured Party")

FROM: **CUSTOM PIPE HANDLERS INC.**
(herein referred to as "the Debtor")

1. DEFINITIONS

All terms used in this Agreement and in any schedules attached hereto shall, except where defined herein, be interpreted pursuant to their respective meanings when used in the *Personal Property Security Act* of Alberta, as in force at the date of this Agreement, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein defined as the "PPSA".

2. SECURITY INTEREST

As continuing security for the payment and performance of all debts, liabilities and obligations of the Debtor to the Secured Party howsoever arising (present and future, absolute and contingent) (the "Indebtedness") the Debtor grants, assigns, mortgages, pledges and charges, as and by way of a specific mortgage, pledge and charge, and grants a Security Interest to and in favour of the Secured Party in the undertaking of the Debtor and in all personal property referred to in Schedule "A" and in all Proceeds and renewals thereof, accessions thereto and substitutions therefor (the "Collateral"). The Debtor warrants and acknowledges to and in favour of the Secured Party that:

- (a) the parties intend the Security Interest hereby constituted in its existing property to attach upon execution and delivery hereof;
- (b) the parties intend the Security Interest created in after-acquired property of the Debtor to attach at the same time as it acquires rights in the said after-acquired property; and
- (c) value has been given.

3. CONTINUOUS INTEREST

The mortgage, pledge, charge and Security Interest hereby created shall be a continuous charge notwithstanding 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 advanced may be repaid and further advances made 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, or
- (b) Create or incur any Security Interest, lien, assessment, or encumbrance upon any of the Collateral which ranks or purports to rank, or is capable of being enforced in priority to or equally with the Security Interest granted under this Agreement, except Purchase Money Security Interests and Leases incurred in the ordinary course of the Debtor's business.

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

The Debtor authorizes and requests that the Canadian Commissioner of Patents and the United States Commissioner of Patents and Trademarks record this Security Agreement.

5. REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

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

- (a) The Collateral is owned by the Debtor free of all Security Interests, mortgages, liens, claims, charges or other encumbrances (hereinafter collectively called "Encumbrances"), save for non-exclusive licenses granted by the Debtor to its customers in the ordinary course of business;
- (b) To its knowledge, each of the Patents constituting Collateral is valid and enforceable, and no part of the Patents has been judged invalid or unenforceable, in whole or in part, and no claim has made that any part of the Collateral violates the rights of any third party;
- (c) 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;
- (d) This Agreement when duly executed and delivered by the Debtor will constitute a legal, valid and binding obligation of the Debtor, subject only that such enforcement may be limited by bankruptcy, insolvency and any other laws of general application affecting creditors' rights and by rules of equity governing enforceability by specific performance;
- (e) 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, or any judgment,

decree or order of any court, binding on the Debtor which would be contravened by the execution and delivery of this Agreement;

- (f) There is no litigation, proceeding or dispute pending, or to the knowledge of the Debtor threatened, against or affecting the Debtor or the Collateral, the adverse determination of which might materially and adversely affect the Debtor's financial condition or operations or impair the Debtor's ability to perform its obligations hereunder;
- (g) The names of the Debtor are accurately and fully set out above, and the Debtor is not known by any other names.

6. COVENANTS OF THE DEBTOR

The Debtor hereby covenants with the Secured Party that:

- (a) The Debtor owns and will maintain the Collateral free of Encumbrances, except for non-exclusive licenses granted by the Debtor to its customers in the ordinary course of business, and will defend title to the Collateral for the benefit of the Secured Party against the claims and demands of all persons;
- (b) During the term of this Agreement, the Debtor will not transfer or otherwise encumber any interest in the Collateral, except for non-exclusive licenses granted by the Debtor in the ordinary course of business or as set forth in this Agreement, without the written consent of the Secured Party, which shall not be unreasonably withheld;
- (c) During the term of this Agreement, the Debtor shall:
 - (i) protect, defend and maintain the validity and enforceability of the Patents, including keeping the Patents in good standing, paying all maintenance fees and renewing all applications and registrations as required;
 - (ii) use its best efforts to detect infringements of the Patents and promptly advise the Secured Party in writing to material infringements detected; and
 - (iii) not allow any patents to be abandoned, forfeited or dedicated to the public without the written consent of the Secured Party, which shall not be unreasonably withheld unless the Debtor determines that reasonable business practices suggest that abandonment is appropriate;
- (d) The Debtor shall not enter into any agreement that would assign or license the Collateral to a third party without the Secured Party's prior written consent, which consent shall not be unreasonably withheld;
- (e) Upon default by the Debtor, the Debtor will continue to work the patent only with the advance written consent of the Secured Party;
- (f) 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 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;

- (g) 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 labourers, workmen, employees, contractors, subcontractors, suppliers of materials and other debts which, when unpaid, might under the laws of Canada or any province of Canada have priority over the Security Interest granted by this Agreement;
- (h) The Debtor will punctually make all payments and perform all obligations in any lease by the Debtor and under any agreement charging property of the Debtor;
- (i) The Debtor will immediately give notice to the Secured Party of:
 - (i) any Notices of Abandonment received with respect to the Collateral;
 - (ii) the details of any material acquisition or disposition of Collateral (whether authorized by The Secured Party or not);
 - (iii) the details of any claims or litigation affecting materially the Debtor or Collateral; and
 - (iv) any changes of its name.
- (j) The Debtor will observe the requirements of any regulatory or governmental authority with respect to the Collateral;
- (k) The Secured Party may pay or satisfy any Encumbrance created in respect of any Collateral, or any sum necessary to be paid to clear title to such Collateral, and the Debtor agrees to repay the same on demand, plus interest thereon at a rate equal to the highest rate of interest payable by the Debtor on any portion of the Indebtedness;
- (l) The Secured Party may from time to time specify to the Debtor in writing affirmative covenants and restrictions to be performed and observed by the Debtor in respect of provision of financial information, payment of dividends, capital expenditures, incurring additional obligations, reduction of capital, distribution of assets, amalgamation, repayment of loans, lending of money, sale and other disposition of assets and/or such other matters as the Secured Party may think fit, and the Debtor agrees to perform and observe such affirmative and negative covenants and restrictions to the same extent and effect as if the same were fully set forth in this Agreement.

7. DEFAULT

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

- (a) The Debtor fails to pay, when due, the indebtedness or any part thereof or to perform when due any other obligation to the Secured Party;

- (b) The Debtor fails when due to perform any obligation to any other person, and such failure is not cured within 30 days of the date the Debtor first knew or should have known of such failure;
- (c) Any representation or warranty made in this Agreement or any other document or report furnished to the Secured Party in respect of the Debtor or the Collateral proves to have been or to have become false or materially misleading;
- (d) 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;
- (e) 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, cancelled or significantly altered;
- (f) An order is made or a resolution passed for winding up the Debtor, or a petition is filed for the winding up, dissolution, liquidation or amalgamation of the Debtor;
- (g) The Debtor becomes insolvent or makes an assignment or proposal for the benefit of its creditors, or a Bankruptcy Petition or Receiving Order is filed or made against the Debtor, or a Receiver of the Debtor or any part of its property is appointed, 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 Act* or any other Act for the benefit of its creditors;
- (h) Any execution, sequestration, extent or distress or any other like process is levied or enforced against any property of the Debtor, or a Secured Party takes possession of any of the Debtor's property;
- (i) Any material adverse change occurs in the financial position of the Debtor;
- (j) The Secured Party considers that it is insecure or that the prospect of payment or performance by the Debtor of the Indebtedness is or is about to be impaired, or that the Collateral is or is about to be placed in jeopardy.

8. REMEDIES

On Default:

- (a) The Secured Party may transfer or otherwise take ownership of the Collateral or any part thereof and sell the same by public or private sale at such price and upon such terms as the Secured Party in its sole 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 on the Indebtedness and the surplus, if any, shall be disposed of according to law;
- (b) The Secured Party has the right to enforce this Agreement by any method provided for in this Agreement and as permitted by law, and to dispose of the

Collateral by any method permitted by law, including disposal by lease or deferred payment;

- (c) The Secured Party may appoint any person or persons to be a Receiver of any Collateral, and may remove any person so appointed and appoint another in its stead. The term "Receiver" as used in this Agreement includes a Receiver-Manager;
- (d) Any Receiver will have the power:
 - (i) to carry on or concur in carrying on the business of the Debtor;
 - (ii) to sell or lease any Collateral;
 - (iii) to make any arrangement or compromise which it may think expedient in the interest of the Secured Party;
 - (iv) to pay all liabilities and expenses connected with the Collateral, including the cost of insurance and payment of taxes or other charges incurred in obtaining, maintaining and preserving the Collateral, and the same shall be added to the Indebtedness and secured by the Collateral;
 - (v) to hold as additional security any increase or profits resulting from the Collateral;
 - (vi) to exercise all rights that the Secured Party has under this Agreement or otherwise at law;
 - (vii) 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 of the Collateral or any part thereof or for other purposes approved by the Secured Party, and any amount so borrowed together with interest thereon shall form a charge upon the Collateral in priority to the Security Interest created by this Agreement;
 - (viii) to enter into and to occupy any premises in which the Debtor has any interest.
- (e) Any Receiver will be deemed to be the agent of the Debtor, and the Debtor will be solely responsible for his acts of 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;
- (f) 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, Security, or Instrument constituting the Collateral or any part of it;
- (g) Neither the Secured Party nor the Sheriff is required to keep Collateral identifiable;
- (h) The Secured Party may use the Collateral in any manner as it, in its sole discretion, deems advisable.

9. IRREVOCABLE POWER OF ATTORNEY

The Debtor hereby irrevocably appoints the Secured Party, and any Receiver acting on behalf of the Secured Party, as its attorney and agent, with full authority in the place and stead of

the Debtor and in the name of the Debtor, from time to time in the Secured Party's discretion, 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:

- (a) to modify, in its sole discretion, this Agreement without first obtaining the Debtor's approval of or signature to such modification by amending Schedule A-1, thereof, as appropriate, to include reference to any right, title or interest in any Patents acquired by the Debtor after the execution hereof or to delete any reference to any right, title or interest in any Patents in which the Debtor no longer has or claims any right, title or interest,
- (b) to file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of the Debtor where permitted by law; and
- (c) after the occurrence of an Event of Default, to transfer the Collateral into the name of the Secured Party, including by way of assignment and any other acts necessary to effect the transfer of the rights, and to record such transfers in the relevant patent offices.

10. 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. The Debtor acknowledges that any payments on or other proceeds of Collateral received by the Debtor from Account Debtors, whether before or after notification of this Security Interest to Account Debtors and after default under this Agreement shall be received and held by the Debtor in trust for the Secured Party and shall be turned over to The Secured Party on request. The Debtor shall furnish the Secured Party with all information which may assist in the collection of all Accounts and any other monies or debts due to the Debtor.

11. ACCELERATION

In the event of Default, the Secured Party, in its sole 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.

12. NOTICES

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 last known address of the Debtor or of any officer or director thereof, as shown on the records of the Secured Party, 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.

13. COSTS AND EXPENSES

The Debtor agrees to pay all costs, charges and expenses reasonably incurred by the Secured Party or any Receiver appointed by it (including, but without restricting the generality of the foregoing, legal fees as between a solicitor and client on a full indemnity basis), in preparing, registering or enforcing this Agreement, taking custody of, transferring, preserving, repairing, maintaining, processing, preparing for disposition and disposing of Collateral and in enforcing or collecting the Indebtedness and all such costs, charges, and expenses together with any monies owing as a result of any borrowing by the Secured Party or any Receiver appointed by it shall be a first charge on the proceeds of realization, collection, or disposition of Collateral and shall be secured hereby.

14. MISCELLANEOUS

- (a) 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 discretion, set-off against the debts and liabilities any and all monies then owed by the Debtor to the Secured Party 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.
- (b) The Secured Party may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with the Debtor, sureties and others and with Collateral and other security as the Secured Party may see fit without prejudice to the liability of the Debtor or the Secured Party's right to hold and realize the Security Interest. The Secured Party may demand, collect and sue on Collateral in either the Debtor's or the Secured Party's name, at the Secured Party's option, and may endorse the Debtor's name on any and all cheques, commercial payback, and any other Instruments pertaining to or constituting Collateral.
- (c) 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 a rate equal to the highest rate of interest payable by the Debtor on any portion of the Indebtedness.
- (d) This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns. In any action brought by an assignee of this Agreement or 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.

- (e) If more than one person executes this Agreement as the Debtor the obligations of such persons hereunder shall be joint and several.
- (f) This Agreement is in addition to and not in substitution for any other security or securities now or hereafter held by the Secured Party and all such other securities shall remain in full force and effect.
- (g) 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.
- (h) After Default, the Secured Party may from time to time apply and re-apply, notwithstanding any previous application, in any such manner as it, in its sole discretion, 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.

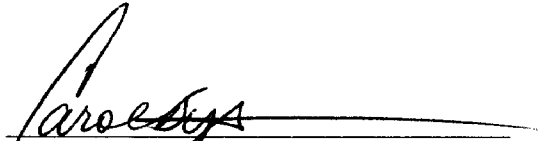
15. INTERPRETATION

- (a) If a portion of this Agreement is wholly or partially invalid, then this Agreement will be interpreted as if the invalid portion had not been a part of it.
- (b) 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 body corporate.
- (c) The last day of any term reserved by any lease or agreement to lease is excepted out of the Security Interest thereby 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.
- (d) 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 attorn to the same.

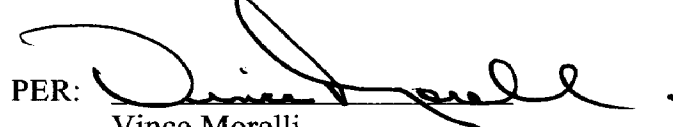
16. **COPY OF AGREEMENT**

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

IN WITNESS WHEREOF the Debtor has executed this Agreement this 11 day of December, 2003.

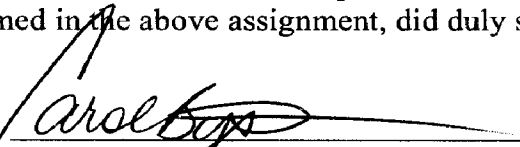

Witness to Vince Morelli

CUSTOM PIPE HANDLERS INC.

PER: 
Vince Morelli

WITNESS DECLARATION

I, Carol Bysterveld whose full post office address is
Print Name of Witness
#42-20 Alford Ave Red Oak, AL 34216 do declare that I was
personally present and did see Vince Morelli, who is a director of Custom Pipe Handlers Inc.,
who is personally known to me to be the person named in the above assignment, did duly sign
and execute above.


Signature of Witness

SCHEDULE "A"

- (a) Those Canadian and United States patents and patent applications as set forth on Schedule A-1 attached hereto (the "Patents");
- (b) All amendments, divisions, renewals and extensions of any of the Patents; and
- (c) Any and all claims for damages by way of past, present and future infringement of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above.

Schedule A-1

Country	Title	Application No.	Filing Date	Registration No.	Issue Date
Canada	Pipe handling apparatus	2,224,638	Dec. 12/97	-	-
Canada	Pipe handling system for presenting sections of pipe to a derrick work floor having a pipe ejection assembly	2,431,213	June 5/03	-	-
U.S.	Pipe handling system for presenting sections of pipe to a derrick work floor having a pipe ejection assembly	10/418,718	April 18/03	-	-
Canada	Pipe handling apparatus for presenting sections of pipe to a derrick work floor having a high-speed carriage assembly	2,431,229	June 5/03	-	-
U.S.	Pipe handling apparatus for presenting sections of pipe to a derrick work floor having a high-speed carriage assembly	10/418,267	April 18/03	-	-
Canada	Multi-position height adjustment system for a pipe handling apparatus	2,444,446	Oct. 10/03	-	-
U.S.	Multi-position height adjustment system for a pipe handling apparatus	10/683,379	Oct. 14/03	-	-