

This is Exhibit " G "  
Referred to in the Affidavit  
of ROBERT HOPKINS  
Sworn before me this 23  
day of April A.D. 2004  
  
Gary Alan Mangus  
Notary Public in and for the  
State of CALIFORNIA



## SECURITY AGREEMENT

THIS AGREEMENT, dated the 3rd day of March, 1998, is by and between EVANS CONSOLES INCORPORATED, a Colorado corporation having its principal place of business and chief executive office at 1600 Broadway, Denver, Colorado 80202 (the "Debtor") and CIBC MELLON TRUST COMPANY (the "Trustee") as trustee for the holders of the Notes (as defined in the Securities Purchase Agreements referred to below).

### W I T N E S S E T H :

WHEREAS, pursuant to those certain Securities Purchase Agreements dated the date hereof (as amended, modified or supplemented from time to time, the "Securities Purchase Agreements") (capitalized terms used herein without definition having the respective meanings ascribed to them in the Securities Purchase Agreements, unless the context clearly requires otherwise), among Evans Consoles, Inc., an Alberta corporation, ("Evans Consoles") the Debtor, and each of the institutional investors named therein (together with their respective successors and assigns, the "Institutional Investors"), the Institutional Investors have agreed to purchase the following Notes issued by Evans Consoles and guaranteed by the Debtor: (a) \$12,800,000 aggregate principal amount of the Senior Secured Tranche A Notes due March 1, 2005, and (b) \$3,500,000 aggregate principal amount of the 11.75% Senior Secured Tranche B Notes due March 1, 2006;

WHEREAS, pursuant to the Securities Purchase Agreements, the Institutional Investors have also agreed to purchase the following Notes issued by the Debtor and guaranteed by Evans Consoles: \$5,000,000 aggregate principal amount of the Senior Secured Revolving Credit Notes due March 1, 2005;

WHEREAS, the Trustee has been appointed trustee for the holders of the Notes pursuant to that certain Trust Agreement dated the date hereof among the Trustee and the Institutional Investors (as amended, modified or supplemented from time to time, the "Trust Agreement"); and

WHEREAS, the obligation of the Institutional Investors to purchase any such securities is subject to the condition, among others, that the Debtor execute and deliver this Agreement and grant the Liens hereinafter described;

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, it is hereby agreed as follows:

1. Security Interest. As security for the Secured Obligations described in section 2 hereof, the Debtor hereby mortgages, hypothecates, charges, pledges and grants and assigns as collateral to the Trustee and creates for the benefit of the Trustee and, in the case of any agreement or contract, creates a first fixed and specific assignment of (for the benefit of and on behalf of the holders of the Notes) and a continuing security interest in and Lien on (collectively, the "Security Interest"), all of the tangible and intangible personal property (including but not limited to Personal Property as such term is defined in the Personal Property Security Act (Alberta)) and fixtures of the Debtor (but none of its obligations with respect thereto) including, without limitation, the property described below, whether now owned or existing, or hereafter acquired or arising, wherever located, together with any and all additions, accessions and attachments thereto and substitutions, replacements, proceeds (including, without limitation, insurance proceeds) and products thereof (hereinafter referred to collectively as the "Collateral"):

(a) all inventory, goods, merchandise, raw materials, parts, components, assemblies, supplies, goods or work in process, finished goods and other tangible personal property held by the Debtor for processing, sale or lease or furnished or to be furnished by the Debtor under contracts of service or to be used or consumed in the Debtor's business, including, without limitation, any which is used in connection with the designing, manufacturing, marketing and selling of consoles, control centers and other technical systems (the foregoing items in this clause (a) being sometimes herein referred to collectively as "Inventory");

(b) all accounts, accounts receivable, notes, drafts and acceptances of the Debtor, all rights to receive the payment of money under contracts, franchises, licenses, permits and other agreements, documents or instruments (whether or not earned by performance) or otherwise of the Debtor, and all rights of the Debtor to receive payments from any other source (the foregoing items in this clause (b) being sometimes herein referred to collectively as "Accounts Receivable"), together with all rights of the Debtor in the goods and services which have given rise thereto, including, without limitation, returned or repossessed goods and unpaid sellers' rights of rescission, replevin, reclamation and rights to stoppage in transit;

(c) all of the Debtor's equipment, machinery, fixtures, furniture, furnishings, computers and related equipment, office equipment and supplies, tools, jigs, dies, manufacturing implements, forklifts, trucks, trailers and other vehicles (the foregoing items in this clause (c) being sometimes herein referred to collectively as "Equipment");

(d) all of the Debtor's general intangibles (including goodwill) and other intangible property and all rights thereunder, including, without limitation, all of the following:

(i) all trademarks, trademark applications and registrations and trade names, together with the goodwill appurtenant thereto, owned, held

(whether pursuant to a license or otherwise), used or to be used, in whole or in part, in conducting the Debtor's business (the "Trademarks"), including, without limitation, all trademarks and trademark applications described in Exhibit 4(a)(i);

(ii) all patents and patent applications of the Debtor, including, without limitation, the inventions and improvements described and claimed therein (the "Patents"), including, without limitation, all patents and patent applications described in Exhibit 4(a)(i);

(iii) all copyrights and applications for registration of copyrights of the Debtor and all rights in literary property (the "Copyrights"), including, without limitation, all copyrights and copyright applications described in Exhibit 4(a)(i);

(iv) all reissues, divisions, continuations, renewals, extensions and continuations-in-part of any Trademarks, Patents and/or Copyrights; all income, royalties, damages and payments now or hereafter due and/or payable with respect to any Trademarks, Patents and/or Copyrights, including, without limitation, damages and payments for past or future infringements thereof; all rights (but no obligation) to sue for past, present and future infringements of any Trademarks, Patents and/or Copyrights or bring interference proceedings with respect thereto; and all rights corresponding to any Trademarks, Patents and/or Copyrights throughout the world;

(v) all rights and interests of the Debtor pertaining to common law and statutory trademarks, service marks, trade names, slogans, labels, trade secrets, patents, copyrights, corporate names, company names, business names, fictitious business names, trademark or service mark registrations, designs, logos, trade styles, applications for trademark registration and any other indicia of origin;

(vi) all operating methods, formulas, processes, know-how and the like of the Debtor (the foregoing items in clauses (i) through (vi), inclusive, being sometimes herein referred to collectively as the "Intellectual Property Collateral");

(e) all shares of capital stock and other ownership interests in any Subsidiary of the Debtor or in any other Person, including all interests in any general or limited partnership or any joint venture and all options, warrants and similar rights to acquire such capital stock or such interests (the foregoing items in this clause (e) being sometimes herein referred to as the "Pledged Stock");

(f) all rights to receive profits or surplus or other dividends or distributions (including, without limitation, income, return of capital or liquidating distributions) from any Subsidiary of the Debtor or from any other Person, including, without limitation, any distributions by any such Person to stockholders, partners or joint venturers (the foregoing items in this clause (f) being sometimes herein referred to collectively as the "Pledged Rights");

(g) all Indebtedness from time to time owing to the Debtor by any Subsidiary of the Debtor or by any other Person, together with all security held by the Debtor with respect to such Indebtedness, including, but not limited to, any promissory notes evidencing loans by the Debtor to any of its shareholders or management, as well as all shares of Common Stock pledged to secure such indebtedness (the foregoing items in this clause (g) being sometimes herein referred to collectively as the "Pledged Indebtedness") (the Pledged Stock, the Pledged Rights and the Pledged Indebtedness are sometimes hereinafter referred to collectively as the "Pledged Securities");

(h) all contracts, contract rights, leases (including leases of personal property, whether the Debtor is the lessor or the lessee thereunder), franchises, licenses, permits and other agreements and all rights thereunder of the Debtor;

(i) all rights granted by others which permit the Debtor to manufacture, produce, distribute, sell or market items of property;

(j) all chattel paper, documents, documents of title, records, negotiable and non-negotiable instruments, hedge contracts and forward purchase contracts of the Debtor;

(k) all property or collateral granted by third party obligors to, or held by, the Debtor with respect to any Accounts Receivable, Pledged Securities, documents, chattel paper, instruments, leases and other items of Collateral and all liens, rights, remedies, privileges, guarantees and other security for any of the foregoing;

(l) all books and records, including, without limitation, books of account and ledgers of every kind and nature, all electronically recorded data (including all computer programs, discs, tapes, electronic data processing media and software used in maintaining the Debtor's books and records), all files and correspondence and all receptacles and containers for the foregoing; all computer software, designs, models, know-how, trade secrets, rights in proprietary information, formulas, customer lists, backlogs, orders, royalties, sales material, documents, goodwill, inventions and processes of the Debtor;

(m) all judgments, causes of action and claims, whether or not inchoate, of the Debtor;

(n) all cash, funds and investments, including that maintained in any account (including any collateral account or deposit account) at any bank or financial institution, and all rights with respect thereto;

(o) all tax refunds and abatement of every kind and nature, and all rights and claims related thereto;

(p) all insurance policies (and all rights thereunder) which insure against any loss or damage to any other Collateral;

(q) all other personal property, assets and items of value of every kind and nature, tangible or intangible, absolute or contingent, legal or equitable; and

(r) all proceeds, including, without limitation, insurance proceeds, and products of the items of Collateral heretofore described.

The Debtor has this day delivered to the Trustee all certificates evidencing the Pledged Stock, accompanied by undated stock powers executed in blank. The Debtor shall also have delivered a certified copy of a resolution of the directors or shareholders, as applicable, of the Debtor consenting to the transfer pursuant to the pledge.

1.1 The Security Interest shall not apply to any Collateral (the "Consent Collateral") that cannot be effectively charged or made subject to the Security Interest without the approval or consent (a "Required Consent") of a third party, until such time as the Required Consent has been obtained. The Debtor represents and warrants to the Trustee that (i) the fair market value of the Consent Collateral for which Required Consents have not been obtained does not exceed \$500,000 and (ii) the Consent Collateral, taken as a whole is not material to the business of the Debtor. The Debtor shall use its best efforts to obtain the Required Consents to all other present and after-acquired Consent Collateral and to any transfer or assignment of Consent Collateral to any third party who may acquire any interest in any Consent Collateral as a result of the exercise by the Trustee of its remedies under this Agreement and, upon obtaining such Required Consent, the Security Interest created hereby shall apply to such Consent Collateral without regard to this section and without the necessity of any further assurance to effect the Security Interest in respect thereof. Until any Required Consent is obtained, the Debtor shall, to the extent that it may do so by law or under the terms of the Consent Collateral, and without giving rise to any default or penalty, hold the Consent Collateral in trust for the Trustee as additional security, as if the Security Interest applied, and shall deliver up such Consent Collateral to the Trustee promptly upon any exercise by the Trustee of its remedies under this Agreement.

2. Secured Obligations. The Liens hereby granted shall secure the following liabilities and obligations of the Debtor (collectively, the "Secured Obligations"):

(a) the due and punctual payment of the principal of and premium, if any, and interest on (including any interest accruing after the

commencement of any action or proceeding under any applicable domestic or foreign federal, state or provincial bankruptcy, insolvency or other similar law, and any other interest that would have accrued but for the commencement of such proceeding, whether or not any such interest is allowed as an enforceable claim in any such proceeding) and fees and other amounts payable with respect to the Notes; and

(b) the due and punctual payment and performance of any and all other indebtedness and obligations of Evans Consoles and its Subsidiaries (including the Debtor) related to the Notes, or any of them, arising under or referred to in any of the Operative Documents, including, without limitation, all indebtedness and obligations under sections 21 and 22 of the Securities Purchase Agreements, all as amended, modified or supplemented from time to time.

3. Special Warranties and Covenants of the Debtor. The Debtor hereby represents and warrants to and covenants and agrees with the Trustee that:

(a) The Debtor is the owner of and has good and marketable title to the Collateral free from any Liens, other than (i) the Liens arising hereunder and under the other Security Documents and (ii) Permitted Liens, and the Debtor will defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein.

(b) The address shown at the beginning of this Agreement is the chief executive office and principal place of business of the Debtor and the location of all records concerning that portion of Collateral consisting of Accounts Receivable and other general intangibles. The Debtor's only additional places of business and the only additional locations of any Collateral (including Collateral located or stored at warehouses) are listed in Exhibit 3(b) attached hereto (which list includes legal descriptions of all real property sufficient for fixture filings). Except as set forth on Exhibit 3(b) attached hereto, during the five years ended on the date hereof, neither the Debtor nor any of its predecessors-in-interest has conducted any business or sold any goods under any name (including any fictitious business or trade name) other than its legal name which is correctly set forth at the beginning of this Agreement. The Debtor will not change its chief executive office or principal place of business or any other place of business, or the location of any Collateral (including, without limitation, the records relating thereto), or make any change in its legal name or conduct business operations under any fictitious business or trade name (other than any names specified on Exhibit 3(b) attached hereto), without, in each such case (i) giving at least 30 days' prior written notice thereof to the Trustee and (ii) executing, delivering, filing and recording all necessary financing statements and personal property registrations (or amendments thereto) or other instruments and documents in order to maintain the validity, enforceability, priority and perfection of the Liens arising hereunder and under the other Security Documents.

(c) Except as explicitly permitted by the Securities Purchase Agreements, (i) the Debtor will not sell or otherwise dispose of any of the Collateral or any interest therein (other than sales of Inventory in the ordinary course of business consistent with prudent business practice) and (ii) the Debtor will not create, assume, incur or suffer to exist any Lien of any kind (whether senior, pari passu or subordinate) on the Collateral (including any restrictions on transfer of any Pledged Securities), other than (x) those arising hereunder and under the other Security Documents, (y) Permitted Liens and (z) restrictions on transfer of the Pledged Securities imposed by applicable securities or corporate laws.

(d) The Debtor will keep the Collateral, including, without limitation, all Inventory and Equipment, in good repair, working order and condition and adequately insured at all times in accordance with the provisions of the Securities Purchase Agreements and the other Operative Documents. Each insurance policy pertaining to any of the Collateral shall be in form and substance and shall have such limits and deductibles as shall be reasonably satisfactory to the Trustee and, without limiting the generality of the foregoing, shall:

(i) for purposes of granting a security interest only, name the Trustee as loss payee (in the case of property insurance) and additional insured (in the case of liability insurance) pursuant to a so-called standard mortgagee clause and shall contain the so-called agreed upon replacement cost endorsement and waiver of subrogation;

(ii) provide that no action of the Debtor or any of its Subsidiaries or any tenant or subtenant shall void such policy as to the Trustee;

(iii) provide that the Trustee shall be notified (and the Debtor shall notify the Trustee) of any expiration, cancellation or material amendment of such policy at least 30 days in advance of the effective date thereof and, if applicable, provide that the Trustee shall have the right to cure any deficiency resulting in the same;

(iv) provide that the Trustee shall receive (and the Debtor shall cause the Trustee to receive) annually certificates of insurance (or other appropriate documentation) demonstrating compliance by the Debtor with all provisions of the Operative Documents relating to insurance matters; and

(v) be issued by an insurance company or insurance companies licensed to do business in the jurisdiction in which the Collateral is located and having the highest or second highest claims paying ability rating available from A.M. Best Company or an equivalent Person.

Certified copies of all such insurance policies relating to the Collateral shall be delivered to the Trustee upon request by the Trustee. In the event of any damage or



destruction to any material amount of the Collateral, the Debtor shall give prompt written notice to the Trustee and shall promptly commence and diligently continue to completion the repair and restoration of the Collateral so damaged or destroyed so as to reconstruct the Collateral in a good and workmanlike manner and in full compliance with all legal requirements and the provisions of this Agreement and the other Operative Documents, free and clear from all Liens, other than (x) the Liens arising hereunder and under the other Security Documents and (y) the Permitted Liens. The Debtor shall not adjust, compromise or settle any claim for insurance proceeds in excess of \$100,000 without the prior written consent of the Trustee, which shall not be unreasonably withheld. Subject to the terms of the Securities Purchase Agreements and so long as no Event of Default shall have occurred and be continuing, the Debtor may apply the proceeds of any insurance to the repair and restoration of any of the Collateral which was the subject of the loss, provided that (i) the cost of repair and restoration shall not equal or exceed \$500,000, (ii) the Debtor continues to be the sole owner of the Collateral subject to the Liens arising hereunder and under the other Security Documents, (iii) the contemplated repair and restoration shall reconstruct the Collateral to substantially its previous condition within 12 months from the date of the damage or destruction to the Collateral, (iv) all sums necessary to effect the repair and restoration over and above any available insurance proceeds shall be at the sole cost and expense of the Debtor, (v) in the case of proceeds in excess of \$250,000 but less than \$500,000, at the request of the Trustee, the Debtor shall deposit all available proceeds (including insurance proceeds) together with the additional sums referred to in clause (iv) in an escrow account in the name of the Debtor upon terms and conditions satisfactory to the Trustee and (vi) at all times during any repair and restoration the Debtor shall, at its sole cost and expense, maintain worker's compensation and public liability insurance in amounts satisfactory to the Trustee and in accordance with the provisions of this section 3(d). In the event that insurance proceeds equal or exceed \$500,000 it shall be a "triggering event" within the meaning of this Agreement and the Debtor shall deliver written notice thereof to the Trustee and the Debtor shall, together with such written notice, offer to pay the proceeds of insurance to the Trustee to be applied by the Trustee in prepayment of the Secured Obligations. Failure to make such an offer shall constitute a Default under this Agreement. Any insurance proceeds that are received at a time when an Event of Default shall have occurred and be continuing may be applied by the Trustee to the repayment of the Secured Obligations in such order of priority as the Trustee shall determine. If the Debtor fails to provide insurance as required by this Agreement or any of the other Operative Documents, the Trustee may, at its option, provide such insurance, and the Debtor will on demand pay to the Trustee the amount of any disbursement made by the Trustee for such purpose (and any unreimbursed amounts shall constitute Secured Obligations for all purposes hereof).

(e) To the extent required by the Securities Purchase Agreements, the Debtor will pay and discharge promptly as they become due and payable all taxes, assessments and other governmental charges or levies imposed upon it or its income

or upon any of its properties, real, personal or mixed, or upon any part thereof, including, without limitation, the Collateral or any part of the Collateral, as well as all claims of any kind (including claims for labor, materials and supplies) which if unpaid might by law become a Lien or charge upon its property.

(f) The Debtor will, without the necessity of any request by the Trustee promptly make, execute, acknowledge and deliver and file and record, to the extent possible in all proper offices and places, including, without limitation, the Canadian Patent Office, Canadian Trademark Office, the Canadian Copyright Office, the United States Patent and Trademark Office and the United States Copyright Office, such certificates, collateral agreements and other agreements, documents or instruments as may be necessary to register and/or maintain notice of the Liens arising hereunder and under the other Security Documents, and the Debtor will take all such action as may be reasonably deemed necessary or advisable by the Trustee to carry out the intent and purposes of the Security Documents or for assuring and confirming to the Trustee the grant and perfection of the Liens in the Collateral, including, without limitation, the Intellectual Property Collateral. To the extent permitted by law, the Debtor, authorizes and appoints, upon any failure of the Debtor to do so, (such appointment being coupled with an interest and irrevocable) the Trustee to execute such registrations and other agreements, documents and instruments in its stead, with full power of substitution, as the Debtor's attorneys-in-fact. To the extent permitted by law, the Debtor further agrees that a carbon, photographic or other reproduction of a security agreement, financing statement or financing change statement is sufficient as a financing statement or financing change statement.

(g) The Debtor agrees that if any warehouse receipt or receipt in the nature of a warehouse receipt is issued with respect to any of the Inventory (or any other Collateral), such receipt shall not be negotiable. If, notwithstanding the foregoing, any negotiable warehouse receipts or other negotiable documents are issued with respect to any of the Inventory (or any other Collateral), all such instruments shall be held in trust for the Trustee and shall be immediately endorsed to the order of the Trustee and delivered to the Trustee to be held by the Trustee as Collateral hereunder. In addition, the Debtor has notified (and from time to time hereafter will notify) all warehousemen, bailees, agents, processors and other similar Persons of the Liens created pursuant to the Security Documents and, following the occurrence and during the continuance of an Event of Default, will cause each such Person to hold all Collateral for the account of, and subject to the instructions of, the Trustee.

(h) ~~Except in the ordinary course of business or as otherwise explicitly permitted by the Securities Purchase Agreements, without the prior written consent of the Trustee, the Debtor shall not amend or modify, or waive any of its rights under or with respect to, any of the Accounts Receivable, if the effect thereof would be to reduce the amount payable to the Debtor thereunder, to extend the time of~~

payment thereof, to waive any default by any account debtor or other obligor thereunder, or to waive or impair any remedies of the Debtor or the Trustee under or with respect thereto. Upon the occurrence and during the continuance of any Event of Default, the Trustee may notify or may require the Debtor to notify (and after any such notification the Debtor shall cause) all Persons obligated on the Accounts Receivable to make payment directly to (or in accordance with the instructions of) the Trustee. From and after the occurrence and during the continuance of any Event of Default, (i) all sums collected or received and all property recovered or possessed by the Debtor in respect of any of the Collateral, including, without limitation, all sums received in respect of any of the Accounts Receivable, shall be received and held by the Debtor in trust for the Trustee and shall be segregated from other assets and funds of the Debtor and upon the request of the Trustee shall be immediately delivered to the Trustee (or otherwise in accordance with the instructions of the Trustee) for application to the payment of the Secured Obligations in such order of priority as the Trustee shall determine and (ii) the Debtor, upon the request of the Trustee, shall institute depository, lockbox and other similar credit procedures providing for the direct receipt of such sums.

(i) The Debtor will specifically assign as security to the Trustee all federal government contracts to the extent permitted by applicable law and will cooperate with the Trustee in obtaining consent, if required, to such assignment. The Debtor will cooperate with the Trustee in providing such further information with respect to contracts with any governmental authority as the Trustee may request and will provide such instruments of further assurance with respect to such contracts as the Trustee may request. As of the date hereof, no contract of the Debtor with any such governmental authority is material to the Debtor. The Debtor will notify the Trustee at such time as any such contract shall become material to the Debtor.

(j) The Debtor hereby constitutes and appoints the Trustee its true and lawful attorney, with full power, upon the occurrence and during the continuance of any Event of Default, in the name of the Debtor or otherwise, at the expense of the Debtor and without notice to or demand upon the Debtor, to act, require, demand, receive, compound and give acquittance for any and all monies and claims for monies due or to become due to the Debtor, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Trustee may deem to be necessary or advisable to protect the interests of the Trustee, which appointment is coupled with an interest and is irrevocable. Without limiting the generality of the foregoing, upon the occurrence and during the continuance of any Event of Default, the Trustee shall have full power to the extent permitted by applicable law: (i) to demand, collect, receive payment of, receipt for, settle, compromise or adjust, and give discharges and releases in respect of any of the Collateral, including, without limitation, any Pledged Securities and/or any Accounts Receivable; (ii) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect and/or to enforce any other rights in respect of any of the

Collateral, including, without limitation, any Pledged Securities and/or any Accounts Receivable; (iii) to defend any suit, action or proceeding brought against the Debtor with respect to any of the Collateral, including, without limitation, any Pledged Securities and/or any Account Receivable; (iv) to settle, compromise or adjust any suit, action or proceeding described in clause (ii) or (iii) above, and, in connection therewith, to give such discharges or releases as the Trustee may deem appropriate; (v) to endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents, including, without limitation, those relating to any of the Pledged Securities and/or those evidencing or securing the Accounts Receivable or any of them; (vi) to receive, open and dispose of all mail addressed to the Debtor and to notify the post office authorities to change the address of delivery of mail addressed to the Debtor to such address as the Trustee may designate; (vii) to act as attorney for the Debtor in obtaining, adjusting, settling and canceling any insurance and endorsing any drafts and retaining any amounts collected or received under any policies of insurance; (viii) to discharge any taxes, assessments or other governmental charges or levies or any other Liens to which any Collateral is at any time subject and (ix) generally to sell, assign, transfer, pledge, make any agreement in respect of or otherwise deal with the Collateral as fully and completely as though the Trustee was the absolute owners thereof for all purposes. The Debtor agrees to reimburse the Trustee on demand for any payments made or expenses incurred by it pursuant to the foregoing authorization and any unreimbursed amounts shall constitute Secured Obligations for all purposes hereof.

(k) The powers conferred on the Trustee by this Agreement and the other Security Documents are solely to protect the interests of the Trustee and shall not impose any duty upon the Trustee to exercise any such power, and if the Trustee shall exercise any such power, such exercise shall not relieve the Debtor of any Default or Event of Default, and the Trustee shall be accountable only for amounts actually received as a result thereof. The Trustee shall be under no obligation to take steps necessary to preserve the rights in or value of or to collect any sums due in respect of any Collateral against any other Person but may do so at its option. Without limiting the generality of the foregoing, the Trustee shall have no duty or liability with respect to any claim or claims regarding the Debtor's ownership or purported ownership, or rights or purported rights arising from, the Pledged Securities or the Intellectual Property Collateral (or any portion thereof) or any use, license, or sublicense thereof, whether arising out of any past, current or future event, circumstance, act or omission or otherwise. All of such duties and liabilities shall be exclusively the obligation of the Debtor. All expenses incurred in connection with the application, protection, maintenance, renewal or preservation of any of the Collateral, including, without limitation, the Intellectual Property Collateral, shall be borne by the Debtor.

(l) The Debtor shall defend, indemnify and hold harmless the Trustee for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements (including reasonable attorneys' fees) of any

kind whatsoever which may be imposed on, incurred by or asserted against the Trustee in connection with or in any way arising out of or relating to the Collateral or this Agreement other than those caused by the Trustee's gross negligence or willful misconduct.

(m) It is the intention of the parties hereto that none of the Collateral shall become fixtures and the Debtor shall take all reasonable action or actions as may be necessary to prevent any of the Collateral from becoming fixtures. The Debtor will, if requested by the Trustee, use its best efforts to obtain waivers of Lien, in form and substance satisfactory to the Trustee, from each Person (including lessors) having any interest in the real property on which any of the Collateral is or is to be located.

(n) The Debtor will promptly notify the Trustee of any material loss or damage to any Collateral or any request by any other Person for any material credit or adjustment with respect to any Accounts Receivable other than in the ordinary course of business.

(o) The Debtor confirms that value has been given to it by the Institutional Investors, that it has rights in the Collateral and that it has not agreed with the Trustee or any of the Institutional Investors to postpone the time for attachment of any of the Security Interest to any of the Collateral. The Security Interest created by this Agreement will have effect and be deemed to be effective whether or not the Secured Obligations are owing or in existence before or after or upon the date of this Agreement.

(p) The Debtor represents and covenants that no Consumer Goods form any part of the Collateral. For purposes of this Agreement the term "Consumer Goods" shall have the meaning set forth in the Personal Property Security Act as in effect in Alberta, that is, "goods that are used or acquired for use primarily for personal, family or household purposes."

(4) Special Provisions Concerning Intellectual Property Collateral. Without limiting the generality of the other provisions of this Agreement:

(a) The Debtor hereby represents and warrants to and covenants and agrees with the Trustee that:

(i) a true and complete list of all Trademarks, Patents and Copyrights currently owned, held (whether pursuant to a license or otherwise) or used by the Debtor, in whole or in part, in conducting its business is set forth in Exhibit 4(a)(i) attached hereto, and such exhibit correctly sets forth the information specified therein;

(ii) except as set forth in Exhibit 4(a)(i) attached hereto, each and every Trademark in use is subsisting; each and every Trademark, Patent and Copyright is valid and enforceable; and, to the best of the Debtor's knowledge, there is no infringement or unauthorized use of any of the Trademarks, Patents or Copyrights, in whole or in part;

(iii) no claim that could reasonably be expected to result in a Material Adverse Change has been made or has been initiated by any third party within the six-year period prior to the date hereof that the use of any of the Trademarks or Copyrights or the practice of any of the Patents does or may violate the rights of any other Person, and the Debtor is not aware of any basis for any such claim to be asserted;

(iv) except as set forth on Exhibit 4(a)(i) attached hereto, the Debtor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Trademarks, Patents and Copyrights, free and clear of any Lien, express or implied, other than the Liens created by the Security Documents, and no other Person has any license or other right with respect to any of the Trademarks, Patents, Copyrights or any other Intellectual Property Collateral and the Debtor shall enforce its rights in such Trademarks, Patents and Copyrights against any licensee thereof; and

(v) each of the Debtor and its predecessors in interest (including, without limitation, the Seller) has marked its products with all applicable patent numbers.

(b) If the Debtor shall create or obtain rights to any Trademarks, Patents or Copyrights (or any other Intellectual Property Collateral) in addition to those set forth on Exhibit 4(a)(i) attached hereto, the provisions of this Agreement shall automatically apply thereto and the Debtor shall take such action as the Trustee may reasonably request to more fully evidence the same. The Debtor shall promptly notify the Trustee in writing of any new patent application or grant or trademark or copyright application or registration in which the Debtor has an ownership interest.

(c) The Debtor (i) authorizes the Trustee, without any further action by the Debtor, to amend Exhibit 4(a)(i) to reference any Trademark, Patent or Copyright (or any other Intellectual Property Collateral) acquired by the Debtor after the date hereof or to delete any reference to any right, title or interest in any Trademark or Patent or Copyright (or any other Intellectual Property Collateral) in which the Debtor no longer has or claims any right, title or interest; (ii) will promptly (but in any event within five Business Days after becoming aware thereof) notify the Trustee of any event that does or could reasonably be expected to materially adversely affect the value of the Intellectual Property Collateral, the ability of the Debtor or the Trustee to dispose of any of the same or the rights and remedies of the Trustee in relation thereto; (iii) will promptly notify the Trustee of

any suspected infringement of any of the Intellectual Property Collateral by any third party that does or could reasonably be expected to materially adversely affect the value of the Intellectual Property Collateral, the ability of the Debtor or the Trustee to dispose of any of the same or the rights and remedies of the Trustee in relation thereto, or of any claim by any third party that the Debtor is infringing upon the intellectual property rights of such third party; (iv) concurrently with the filing of any patent application or application for registration of any trademark or copyright, will execute, deliver and record in all appropriate registers and offices, an appropriate form of a collateral security agreement evidencing the Trustee's security interest therein; and (v) will diligently keep accurate and complete records respecting the Intellectual Property Collateral.

(d) The Debtor shall, as appropriate and commercially reasonable, (i) make and diligently prosecute federal application on any existing or future registerable but unregistered Trademarks or Copyrights or unpatented but patentable inventions, (ii) preserve, maintain and renew all of the Intellectual Property Collateral and rights and interests related thereto, including, without limitation, by payment of all taxes, annuities, issue and maintenance fees and by the use of all proper statutory notices, designations and patent numbers and (iii) initiate and diligently prosecute in its own name, for its own benefit and at its own expense, such suits, proceedings or other actions for infringement, or other damage or opposition, cancellation, concurrent use or interference proceedings as are necessary to protect any of the Trademarks, Patents or Copyrights or other Intellectual Property Collateral; provided that no such suit, proceeding or other action shall be settled or voluntarily dismissed, nor shall any party be released or excused from any claims or liability for infringement, unless, in the reasonable judgment of the Debtor, to do so is in the best interests of the Debtor and is not disadvantageous in any material respect to the Trustee or the holders of the Secured Obligations.

(e) Without limiting the generality of the other provisions of this Agreement and the other Operative Documents and in addition to all other rights and remedies of the Trustee hereunder and thereunder and referred to herein and therein, the Debtor hereby assigns to the Trustee (such assignment to be conditioned and effective upon the occurrence and during the continuance of any Event of Default) all of its right, title and interest in and to all and any of the Intellectual Property Collateral, including, without limitation, each Patent, Trademark and Copyright, now or hereafter owned or held (whether pursuant to a license or otherwise) by the Debtor, and all of the goodwill of the business of the Debtor symbolized by the same and all interest of the Debtor in and to any cause of action related thereto, and the Debtor hereby grants to the Trustee an absolute power of attorney (which grant is coupled with an interest and is irrevocable) to sign, upon the occurrence and during the continuance of any Event of Default, any document which may be necessary or required by the Canadian Patent Office, Canadian Trademark Office, the Canadian Copyright Office, the United States Patent and Trademark Office and the United States Copyright Office, or by any other office or authority in order to

further evidence (and to effect and to record) the foregoing assignment. The Debtor further agrees that, upon the occurrence and during the continuance of any Event of Default, the Trustee may take any or all of the following actions: (i) declare the entire right, title and interest of the Debtor in and to the Intellectual Property Collateral vested in the Trustee, in which event such right, title and interest shall immediately vest in the Trustee; (ii) take and use and/or sell the Intellectual Property Collateral (or any portion thereof) and carry on the business and use the assets of the Debtor in connection with which the Intellectual Property Collateral (or any portion thereof) has been used; (iii) bring suit to enforce the Trademarks, Patents and/or Copyrights or any of the other Intellectual Property Collateral and/or any licenses thereunder or other rights with respect thereto; (iv) direct the Debtor to refrain, in which event the Debtor shall refrain, from using the Intellectual Property Collateral (or any portion thereof) in any manner whatsoever, directly or indirectly and (v) direct the Debtor to execute, in which event the Debtor shall execute, such other and further documents that the Trustee may request to further confirm the provisions hereof and to further evidence the foregoing assignment. Upon request of the Trustee, the Debtor also shall make available to the Trustee, to the extent within the Debtor's power and authority, such individuals then in the Debtor's employ to assist in the production, advertisement and sale of the products and services sold under the Trademarks, Copyrights and Patents or any of the other Intellectual Property Collateral, such individuals to be available to perform their prior functions on the Trustee's behalf and to be compensated at the expense of the Debtor. If the Debtor is permitted to continue to use the Trademarks or any other Intellectual Property Collateral which is assigned to the Trustee, the Trustee hereby grants a license to the Debtor in respect of such use in association with respect of a quality meeting standards as may be prescribed by the Trustee, but not less than the standards maintained by the Debtor as of the date of this Agreement and such other terms as the Trustee may prescribe.

(5) Special Provisions Concerning the Pledged Securities. Without limiting the generality of the other provisions of this Agreement, the Debtor hereby represents and warrants to and covenants and agrees with the Trustee as follows:

(a) A true and complete list of all Pledged Securities is attached as Exhibit 5(a) hereto and all information set forth thereon is true, correct and complete. As of the date hereof, the Debtor does not own any other securities or other items that would constitute Pledged Securities. If any shares of capital stock, promissory notes or other securities issued by any Subsidiary of the Debtor or issued by any other Person are acquired by the Debtor after the date hereof, the same shall without further action constitute Pledged Securities and shall be deposited and pledged (together with all necessary stock or bond powers and endorsements) with the Trustee simultaneously with such acquisition. If an Event of Default shall have occurred and be continuing, the Trustee may at any time transfer into its name (or the name or names of its nominees), as pledgees, any Pledged Securities. The Debtor shall use its best efforts to ensure that any Pledged Securities which are not



evidenced by a certificate or other instrument will be registered within five days of the issuance thereof in the names of the Trustee, as pledgees, on the records of the issuer thereof, all in form and substance satisfactory to the Trustee. All Pledged Indebtedness owed by any Subsidiary or other Affiliate of the Debtor shall be on open account and shall not be evidenced by any note or other instrument, unless the Trustee shall request otherwise, in which event a note or other instrument evidencing such Pledged Indebtedness shall be deposited and pledged with the Trustee within five days of such request.

(b) Unless an Event of Default shall have occurred and be continuing, (i) the Debtor shall be entitled, to the extent permitted by the Securities Purchase Agreements and the other Operative Documents, to receive all payments, dividends and distributions on or with respect to the Pledged Securities (except for any such payment, dividend or distribution that constitutes additional Pledged Securities, in which case the same shall be deposited and pledged with the Trustee at the time such payment, dividend or distribution is made) and (ii) the Debtor shall be entitled to vote or consent with respect to the Pledged Securities in any manner not inconsistent with the terms of the Securities Purchase Agreements and the other Operative Documents.

(c) Upon the occurrence and during the continuance of an Event of Default, (i) all payments, dividends and distributions on or with respect to the Pledged Securities shall be deposited and pledged (together with all necessary endorsements) with the Trustee (or otherwise in accordance with the instructions of the Trustee) at the time such payment, dividend or distribution is made and (ii) the Trustee shall be entitled, at the election of the Trustee, to have any or all of the Pledged Securities transferred into its name (or the name or names of its nominees) and/or to vote or consent or take any other action with respect to the Pledged Securities and to exercise any and all other incidents of ownership thereof, including, without limitation, all rights of payment, conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Pledged Securities, as if the Trustee was the absolute owner thereof, all without liability except to account for amounts actually received; provided that the Trustee shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing.

6. Events of Default. The Debtor shall be in default under this Agreement if any one or more of the following events (each an "Event of Default") shall occur (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), that is to say:

(a) if any Event of Default as defined in the Securities Purchase Agreements shall occur; or

