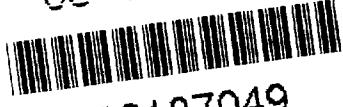


08-12-2002

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Form PTO-1594 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002) Tab settings



U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

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

1. Name of conveying party(ies): Alterna Technologies Group Inc. [ ] Individual(s) [ ] Association [ ] General Partnership [ ] Limited Partnership [x] Corporation-State [ ] Other 8-12-02 Additional name(s) of conveying party(ies) attached? [ ] Yes [x] No

2. Name and address of receiving party(ies) Name: CATX/MM Venture Finance Partnership Internal Address: c/o Ron Patterson Street Address: 95 Wellington St. West, 22nd Floor City: Toronto State: Ontario Zip: M5J 2N7 [ ] Individual(s) citizenship [ ] Association [x] General Partnership [ ] Limited Partnership [ ] Corporation-State [ ] Other If assignee is not domiciled in the United States, a domestic representative designation is attached: [ ] Yes [x] No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? [ ] Yes [x] No

3. Nature of conveyance: [ ] Assignment [ ] Merger [x] Security Agreement [ ] Change of Name [ ] Other Execution Date: 07/31/2002

4. Application number(s) or registration number(s): A. Trademark Application No.(s) A685899 A6897483 A685894 A689363 76/383848 A685898 A687663 Additional number(s) attached [ ] Yes [x] No

B. Trademark Registration No.(s)

5. Name and address of party to whom correspondence concerning document should be mailed: Name: Macleod Dixon LLP Internal Address: c/o Daniel Pichette Street Address: 3700, 400 3 Avenue S.W. City: Calgary State: Alberta Zip: T2P 4H2

6. Total number of applications and registrations involved: 7 7. Total fee (37 CFR 3.41): \$ 190.00 [x] Enclosed [ ] Authorized to be charged to deposit account 8. Deposit account number: N/A (Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature. To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Daniel Pichette (student-at-law) Daniel Pichette 08/08/2002 Name of Person Signing Signature Date

Total number of pages including cover sheet, attachments, and document: 21

08/12/2002 TDI21 0000092 A685889 Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231 01 FC:481 02 FC:482 40.00 OP 150.00 OP

TRADEMARK REEL: 002560 FRAME: 0424

**CONFIRMATION OF GRANT OF SECURITY INTEREST**

This will confirm that, pursuant to a general security agreement (hereinafter referred to as the "GSA") dated July 31, 2002 between Alterna Technologies Group Inc., a corporation incorporated under the laws of Canada (hereinafter referred to as "Alterna"), whose full post office address is 5970 Centre Street S.E., Suite 200, Calgary, Alberta, T2H 0C1, and GATX/MM Venture Finance Partnership (hereinafter referred to as "GATX/MM"), an Ontario general partnership, whose full post office address is 95 Wellington Street West, 22<sup>nd</sup> Floor, Toronto, Ontario, M5J 2N7, and for good and valuable consideration, the receipt and sufficiency of which are hereby confirmed and acknowledged, Alterna confirms that it has granted to GATX/MM a security interest, lien and charge in all of Alterna's right, title and interest in and to the intellectual property listed on the Schedule attached hereto, including, without limitation, the copyrights, trademarks, patents and trademark and patent applications listed therein, and in and to any and all continuations, continuations-in-part, updates, developments, divisions, reissues and re-examinations which issue therefrom, the same to be held and enjoyed by GATX/MM, strictly subject to the terms of the GSA.

EXECUTED at Calgary, AB this 31 day of July, 2002.

ALTERNA TECHNOLOGIES GROUP INC.

Per:

 c/s

Name:

Title:

MARK A. BUTLER  
CORPORATE SECRETARY

The Corporation has filed trademark applications for the following marks:

- alterna : Canadian Serial Number 1115857  
United States Docket Number A685889
- auros : Canadian Serial Number 1115861  
United States Docket Number A685894
- auros In-house Bank : Canadian Serial Number 1115860  
United States Docket Number 76/383848
- auros Payment Factory : Canadian Serial Number 1115859  
United States Docket Number A6897483
- ab3 : Canadian Serial Number 1130392  
United States Docket Number A689363
- abix : Canadian Serial Number 1115858  
United States Docket Number A685898
- alterna EQS : Canadian Serial Number 1130268  
United States Docket Number A687663

The Company also uses the following as unregistered trademarks:

- auros Treasury Hub
- auros TreasuryLink



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**ALTERNA TECHNOLOGIES GROUP INC.**

**GENERAL SECURITY AGREEMENT**

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ALTERNA TECHNOLOGIES GROUP INC.

GENERAL SECURITY AGREEMENT

**TO:** GATX/MM VENTURE FINANCE PARTNERSHIP  
95 Wellington Street West  
22<sup>nd</sup> Floor  
Toronto, Ontario  
M5J 2N7

Attention: Ron Patterson, Partner

**RECITALS:**

A. **ALTERNA TECHNOLOGIES GROUP INC.** a corporation incorporated under the laws of Canada (the "**Debtor**") is, or may become, indebted or liable to **GATX/MM VENTURE FINANCE PARTNERSHIP** (the "**Lender**") pursuant to a Credit Agreement dated the ~~31<sup>st</sup>~~ day of July, 2002 (as amended, restated, supplemented or replaced from time to time, the "**Credit Agreement**").

B. To secure the payment and performance of the Liabilities (this term, and other capitalized terms used in this Agreement, have the meanings set forth in Section 1), the Debtor has agreed to grant to the Lender security interests over the Collateral in accordance with the terms of this Agreement.

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by the Debtor, the Debtor agrees with the Lender as follows:

1. **Definitions.** In this Agreement:

"**Accessions**", "**Accounts**", "**Chattel Paper**", "**Consumer Goods**", "**Document of Title**", "**Equipment**", "**Goods**", "**Instrument**", "**Intangible**", "**Inventory and Proceeds**" have the meanings given to them in the PPSA.

"**Books and Records**" means all books, records, files, papers, disks, documents and other repositories of data recording in any form or medium, evidencing or relating to the Collateral which are at any time owned by the Debtor or to which the Debtor (or any Person on the Debtor's behalf) has access.

"**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in the Province of Alberta.

"**Collateral**" means all of the present and future undertaking, Personal Property (including any Personal Property that may be described in any Schedule to this

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Agreement or any schedules, documents or listings that the Debtor may from time to time sign and provide to the Lender in connection with this Agreement) and real property (including real property that may be described in any Schedule to this Agreement or any schedules, documents, or listings that the Debtor may from time to time sign and provide to the Lender in connection with this Agreement and including all fixtures and all buildings placed, installed or erected from time to time on any such real property) of the Debtor (including all such property at any time owned, leased, licensed, possessed or acquired by the Debtor, or in which the Debtor at any time has any interest or to which the Debtor is or may at any time become entitled) and all Accessions thereto, and all Proceeds thereof, in any such case wherever located.

**"Contracts"** means all contracts, licenses and agreements to which the Debtor is at any time a party or pursuant to which the Debtor has at any time acquired rights, as such contracts, licenses and agreements may from time to time be amended or restated and includes (i) all rights of the Debtor to receive money due and to become due to it in connection with a contract licence or agreement, (ii) all rights of the Debtor to damages arising out of, or for breach or default in respect of, a contract, licence or agreement and (iii) all rights of the Debtor to perform and exercise all remedies in connection with a contract, licence or agreement.

**"Default"** means an "Event of Default" as defined in the Credit Agreement.

**"Intellectual Property"** means Intellectual Property as defined in the Credit Agreement.

**"Liabilities"** means all present and future indebtedness, liabilities and obligations of every kind, nature and description (whether direct or indirect, joint or several, absolute or contingent matured or unmatured) of the Debtor to the Lender under, pursuant to, or in connection with the Credit Agreement.

**"Money"** means a medium of exchange authorized or adopted by the government referred to in the "Governing Law" section of this agreement as part of its currency.

**"Person"** will be broadly interpreted and includes an individual, a corporation, a limited liability company, a partnership, a trust, a joint venture, an association, an unincorporated organization, the government of a country or any political subdivision thereof, any agency or department of any such government, a regulatory agency or any other juridical entity and the heirs, executors, administrators or other legal representatives of an individual.

**"Permits"** means all permits, licenses, authorizations, approvals, franchises, rights-of-way, easements and entitlements that the Debtor has, requires or is required to have, to own, possess or operate any of its property or to operate and carry on any part of its business.

"Permitted Encumbrances" means Permitted Encumbrances as defined in the Credit Agreement.

"Personal Property" means personal property and includes accounts, inventory, equipment, Books and Records, chattel paper, goods, documents of title, instruments, general intangibles (including Intellectual Property and Permits) and securities, and includes all accessions to any of the foregoing.

"PPSA" means the *Personal Property Security Act* (Alberta), as such legislation may be amended, renamed or replaced from time to time (and includes all regulations from time to time made under such legislation).

"Receiver" means a receiver, a manager or a receiver and manager.

"Securities", has the meaning given to it in the PPSA, or if there is no such meaning given in the PPSA, but the PPSA defines "security" instead, it means the plural of that term.

"Security Interest" means any mortgage, charge, pledge, hypothecation, lien (statutory or otherwise), assignment, finance lease, title retention agreement or arrangement, security interest or other encumbrance or adverse claim of any nature, or any other security agreement or arrangement creating in favour of any creditor a right in respect of a particular property.

2. **Grant of Security.** As general and continuing collateral security for the due payment and performance of the Liabilities, the Debtor mortgages, charges and grants to the Lender a security interest in, the Collateral.
3. **Limitations on Grant of Security.** If the grant of any Security Interest in any Contract, Intellectual Property or Permit under Section 2 would result in the termination or breach of such Contract, Intellectual Property or Permit, then the applicable Contract, Intellectual Property or Permit will not be subject to any Security Interest under Section 2 but will be held in trust by the Debtor for the benefit of the Lender. In addition, the Security Interests created by this Agreement do not extend to the last day of the term of any lease or agreement for lease of real property. Such last day will be held by the Debtor in trust for the Lender and, on the exercise by the Lender of any of its rights under this Agreement following a Default, will be assigned by the Debtors as directed by the Lender.
4. **Attachment.** The Debtor confirms that value has been given by the Lender to the Debtor, that the Debtor has rights in the Collateral and that the Debtor and the Lender have not agreed to postpone the time for attachment of the Security Interests created by this Agreement to any of the Collateral. The Security Interests created by this Agreement will have effect and be deemed to be effective

whether or not the Liabilities or any part thereof are owing or in existence before or after or upon the date of this Agreement, and the execution of this Agreement shall not oblige the Lender to advance any funds or any additional funds.

5. **Representations and Warranties.** The Debtor represents and warrants to the Lender that:

- a. **Places of Business, Name, Location of Collateral.** The Debtor's principal place of business and chief executive office, and the place where it keeps its Books and Records, is at the address specified on the signature page of this Agreement, and its full legal name, and any other name under which it conducts its business, is specified on the signature page of this Agreement. The location of all other existing places where the Debtor carries on business or keeps tangible Personal Property included in the Collateral and the location of all real property owned by the Debtor, are set out in Schedules C, D and H to the Credit Agreement.
- b. **Title; No Other Security Interests:** Except for (i) the Security Interests created by this Agreement; (ii) any Permitted Encumbrances (as defined in the Credit Agreement); and (iii) any other Security Interests expressly permitted in writing by the Lender, the Debtor owns (or, with respect to any leased or licensed property forming part of the Collateral, holds a valid leasehold or licensed interest in) the Collateral free and clear of any Security Interests. No security agreement, financing statement or other notice with respect to any or all of the Collateral other than in respect of the Permitted Encumbrances, is on file or on record in any public office, except for filings in favour of, or permitted in writing by, the Lender.
- c. **Amount of Accounts.** The amount represented by the Debtor to the Lender from time to time as owing by each account debtor or by all account debtors in respect of the accounts will at such time be the correct amount so owing by such account debtor or debtors and, unless disclosed in writing by the Debtor to the Lender at that time, will to the best of the Debtor's knowledge be owed free of any dispute, set-off or counterclaim.
- d. **Authority; Consents.** The Debtor has full power and authority to grant to the Lender the Security Interests created by this Agreement and to execute, deliver and perform its obligations under this Agreement, and such execution, delivery and performance does not contravene any of the Debtor's constating documents or by-laws or any agreement, instrument or restriction to which the Debtor is a party or by which the Debtor or any of the Collateral is bound. Except for any consent that has been obtained and is in full force and effect, no consent of any party (other than the Debtor) to any Contract or any obligor in respect of any account is required, or purports to be required, for the execution, delivery and performance of this Agreement. Except as disclosed in writing by the Debtor to the Lender,



neither the Debtor nor (to the best of the Debtor's knowledge) any other party to any account or Contract is in default or is likely to become in default in the performance or observance of any of the terms of such account or Contract.

- e. Enforceability. This Agreement has been duly authorized, executed and delivered by the Debtor and is a valid and binding obligation of the Debtor enforceable by the Lender against the Debtor in accordance with its terms, subject only to bankruptcy, insolvency, liquidation, reorganization, moratorium and other similar laws generally affecting the enforcement of creditors' rights, to general principles of equity and to the fact that equitable remedies (such as specific performance and injunction) are discretionary remedies.
- f. No Consumer Goods. The Debtor does not own any consumer goods which are material in value or which are material to the business, operations, property, condition or prospects (financial or otherwise) of the Debtor.
- g. Intellectual Property Rights. All Intellectual Property owned by the Debtor, and all rights of the Debtor to the use of any Intellectual Property, are described in Schedule I to the Credit Agreement. To the best of the Debtor's knowledge, the Intellectual Property is new, original, valid, subsisting, unexpired, enforceable and has not been abandoned.

6. Survival of Representations and Warranties. All agreements, representations, warranties and covenants made by the Debtor in this Agreement are material, will be considered to have been relied on by the Lender and will survive the execution and delivery of this Agreement or any investigation made at any time by or on behalf of the Lender and any disposition or payment of the Liabilities until repayment and performance in full of the Liabilities and termination of all rights of the Debtor that, if exercised, would result in the existence of Liabilities.

7. Covenants. The Debtor covenants and agrees with the Lender that:

- a. Further Documentation. The Debtor will from time to time at its expense promptly and duly authorize, execute and deliver such further instruments and documents, and take such further action, as the Lender may request for the purpose of obtaining or preserving the full benefits of, and the rights and powers granted by, this Agreement (including the filing of any financing statements or financing change statements under any applicable legislation with respect to the Security Interests created by this Agreement). The Debtor acknowledges that this Agreement has been prepared based on the existing laws in the jurisdiction referred to in the "Governing Law" section of this Agreement and that a change in such laws, or the laws of other jurisdictions, may require the execution and

delivery of different forms of security documentation. Accordingly, the Debtor agrees that the Lender will have the right to require that this Agreement be amended, supplemented or replaced, and that the Debtor will immediately on request by the Lender authorize, execute and deliver any such amendment, supplement or replacement (i) to reflect any changes in such laws, whether arising as a result of statutory amendments, court decisions or otherwise, (ii) to facilitate the creation and registration of appropriate security in all appropriate jurisdictions, or (iii) if the Debtor merges or amalgamates with any other Person or enters into any corporate reorganization, in each case in order to confer on the Lender Security Interests similar to, and having the same effect as, the Security Interests created by this Agreement.

- b. Delivery and Pledge of Certain Collateral. Promptly upon request from time to time by the Lender, the Debtor will deliver (or cause to be delivered) to the Lender, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Lender may reasonably request, any and all Instruments, Securities, Documents of Title and Chattel Paper included in or relating to the Collateral as the Lender may specify in its request.
- c. Payment of Expenses; Indemnification. The Debtor will pay upon demand therefor by the Lender, and will indemnify and save the Lender harmless from, any and all liabilities, reasonable costs and expenses (including reasonable legal fees and expenses and any sales, goods and services or other similar taxes payable to any governmental authority with respect to any such liabilities, costs and expenses) (i) incurred by the Lender in the preparation, registration, administration or enforcement of this Agreement, (ii) with respect to, or resulting from, any failure or delay by the Debtor in performing or observing any of its obligations under this Agreement, or (iii) incurred by the Lender in performing or observing any of the other covenants of the Debtor under this Agreement.
- d. Maintenance of Records. The Debtor will keep and maintain accurate and complete records of the Collateral, including a record of all payments received and all credits granted with respect to the accounts and Contracts. At the written request of the Lender, the Debtor will mark any Collateral specified by the Lender to evidence the existence of the Security Interests.
- e. Right of Inspection. The Lender, upon 24 hours prior written request, may, at any time during normal business hours, without charge, examine and make copies of all Books and Records, and may discuss the affairs, finances and accounts of the Debtor with its officers and accountants. The Lender may also, without charge, enter the premises of the Debtor where any of the Collateral is located during regular business hours for the purpose of inspecting the Collateral, observing its use or otherwise

protecting its interests in the Collateral. The Debtor, at its expense, will provide the Lender with such clerical and other assistance as may be reasonably requested by the Lender to exercise any of its rights under this paragraph. Notwithstanding the foregoing, prior to the occurrence of a Default, the right of inspection afforded to the Lender by this subsection shall be subject to any third party access and audit rights (a "Third Party Audit"). Specifically, prior to the occurrence of a Default, the Lender shall not be entitled to exercise its right of inspection during any Third Party Audit, provided, however, that the Debtor has given to the Lender written evidence of the timing, nature and length of such Third Party Audit.

- f. Limitations on Other Security Interests. The Debtor will not create, incur or permit to exist, and will defend the Collateral against, and will take such other action as is necessary to remove, any and all Security Interests on and claims in respect of the Collateral other than the Security Interests created by this Agreement or as permitted in writing by the Lender under the Credit Agreement, and the Debtor will defend the right, title and interest of the Lender in and to the Collateral against the claims and demands of all Persons.
- g. Limitations on Dispositions of Collateral. The Debtor will not, without the Lender's prior written consent, sell, lease or otherwise dispose of any item of the Collateral having a value of US\$25,000 or greater, except that Inventory may be sold, leased or otherwise disposed of, equipment may be replaced that is obsolete or requires replacement, software may be licensed and accounts may be collected, all in the ordinary course of the Debtor's business. During the existence of a Default, all proceeds of the Collateral (including all amounts received in respect of accounts), whether or not arising in the ordinary course of the Debtor's business, will be received by the Debtor as trustee for the Lender and will be immediately paid to the Lender.
- h. Limitations on Modifications, Waivers, Extensions. The Debtor will not (i) amend, modify, terminate or waive any provision of any Permit, Contract or any agreement giving rise to an Account in any manner which is or could reasonably be expected to be materially adverse to the Debtor or the Lender or (ii) fail to exercise promptly and diligently its rights under each Contract and each agreement giving rise to an Account if such failure is or could reasonably be expected to be materially adverse to the Debtor or the Lender.
- i. Further Identification of Collateral. The Debtor will promptly furnish to the Lender such statements and schedules further identifying and describing the Collateral, and such other reports in connection with the Collateral, as the Lender may from time to time reasonably request.

- j. Notices. The Debtor will advise the Lender promptly, in reasonable detail, of (i) any Security Interest (other than the Security Interests created by this Agreement and any Security Interest permitted in writing by the Lender) on, or claim asserted against, any of the Collateral, (ii) the occurrence of any event, claim or occurrence that could reasonably be expected to have a material adverse effect on the value of the Collateral or on the Security Interests created by this Agreement, (iii) any change in the location of any place of business (including additional locations) or the registered office of the Debtor, (iv) any change in the location of any of the tangible Collateral (including additional locations), (v) any acquisition of leasehold, personal or real property by the Debtor, (vi) any change in the name of the Debtor, (vii) any additional jurisdiction in which material accounts debtors of the Debtor are located, and (viii) any material loss of or damage to any of the Collateral. The Debtor agrees not to effect or permit any of the changes referred to in clauses (iii) to (vii) above unless all filings have been made and all other actions taken that are required in order for the Lender to continue at all times following such change to have a valid and perfected Security Interest in all of the Collateral.
- k. Delivery of Agreements re Intellectual Property. The Debtor will promptly, following demand from time to time by the Lender, authorize, execute and deliver any and all agreements, instruments, documents and papers that the Lender may request to evidence the Lender's Security Interests in any Intellectual Property, including, without limitation, a Confirmation of Grant of Security Interest and any updates thereto.

8. Rights Upon a Default. Upon a Default, the security constituted by this Agreement will become enforceable, and the Lender may, personally or by agent at such time or times as the Lender, in its discretion may determine, do any one or more of the following:

- a. Rights under PPSA, etc. Exercise all of the rights and remedies granted to secured parties under the PPSA and any other applicable statute, or otherwise available to the Lender at law or in equity.
- b. Demand Possession. Demand possession of any or all of the Collateral in which event the Debtor will, at its own expense, immediately cause the Collateral designated by the Lender to be made available and/or delivered to the Lender at any place designated by the Lender.
- c. Take Possession. Subject to any Third Party Audit, enter on any premises where any Collateral is located and take possession of, disable or remove such Collateral.
- d. Use of Collateral. Hold, store and keep idle, or operate, lease or otherwise use or permit the use of any or all of the Collateral for such time and on

such terms as the Lender may determine, and demand, collect and retain all earnings and other sums due or to become due from any Person in respect of any of the Collateral.

- e. Carry on Business. Carry on, or concur in the carrying on of, any or all of the business or undertaking of the Debtor and, subject to any Third Party Audit, enter on, occupy and use (without charge by the Debtor) any of the premises, buildings, plant and undertaking of, or occupied or used by, the Debtor.
- f. Deal with Collateral. Seize, collect, receive, enforce or otherwise deal with any Collateral in such manner, on such terms and conditions and at such times as the Lender deems advisable.
- g. Dispose of Collateral. Realize on any or all of the Collateral and sell, lease, assign, give options to purchase, or otherwise dispose of and deliver any or all of the Collateral (or contract to do any of the above), in one or more parcels at any public or private sale, at any exchange, broker's board or office of the Lender or elsewhere, on such terms and conditions as the Lender may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery.
- h. Court-Approved Disposition of Collateral. Apply to a court of competent jurisdiction for the sale or foreclosure of any or all of the Collateral.
- i. Purchase by Lender. At any public sale, and to the extent permitted by law on any private sale, bid for and purchase any or all of the Collateral offered for sale and, upon compliance with the terms of such sale, hold, retain and dispose of such Collateral without any further accountability to the Debtor or any other Person with respect to such holding, retention or disposition, except as required by law. In any such sale to the Lender, the Lender may, for the purpose of making payment for all or any part of the Collateral so purchased, use any claim for Liabilities then due and payable to it as a credit against the purchase price.
- j. Collect Accounts. Notify the account debtors or obligors under any Accounts of the assignment of such Accounts to the Lender and direct such account debtors or obligors to make payment of all amounts due or to become due to the Debtor in respect of such Accounts directly to the Lender and, upon such notification and at the expense of the Debtor, enforce collection of any such Accounts, and adjust, settle or compromise the amount or payment of such Accounts, in such manner and to such extent as the Lender deems appropriate in the circumstances.
- k. Transfer of Securities. Transfer any Securities forming part of the Collateral into the name of the Lender or its nominee, with or without

disclosing that the Securities are subject to the Security Interests, subject to any unanimous shareholders' agreement or other shareholders' agreement then in effect.

- l. Exercise of Rights. Exercise any and all rights, privileges, entitlements and options pertaining to any Securities forming part of the Collateral as if the Lender were the absolute owner of such Securities.
- m. Payment of Liabilities. Pay any liability secured by any Security Interest against any Collateral. The Debtor will immediately on demand reimburse the Lender for all such payments.
- n. Appoint Receiver. Appoint by instrument in writing one or more Receivers over property, assets and undertaking of the Debtor or any or all of the Collateral with such rights, powers and authority (including any or all of the rights, powers and authority of the Lender under this Agreement and the Credit Agreement) as may be provided for in the instrument of appointment or any supplemental instrument, and remove and replace any such Receiver from time to time. To the extent permitted by applicable law, any Receiver appointed by the Lender will (for purposes relating to responsibility for the Receiver's acts or omissions) be considered to be the agent of the Debtor and not of the Lender.
- o. Court-Appointed Receiver. Apply to a court of competent jurisdiction for the appointment of a Receiver of the property, assets and undertaking of the Debtor or of any or all of the Collateral.

The Lender may exercise any or all of the foregoing rights and remedies without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except as required by applicable law) to or on the Debtor or any other Person, and the Debtor by this Agreement waives each such demand, presentment, protest, advertisement and notice to the extent permitted by applicable law. None of the above rights or remedies will be exclusive of or dependent on or merge in any other right or remedy, and one or more of such rights and remedies may be exercised independently or in combination from time to time. Without prejudice to the ability of the Lender to dispose of the Collateral in any manner which is commercially reasonable, the Debtor acknowledges that a disposition of Collateral by the Lender which takes place substantially in accordance with the following provisions will be deemed to be commercially reasonable:

- i. Collateral may be disposed of in whole or in part;

- ii. Collateral may be disposed of by public auction, public tender or private contract, with or without advertising and without any other formality;
- iii. any purchaser or lessee of Collateral may be a customer of the Lender;
- iv. a disposition of Collateral may be on such terms and conditions as to credit or otherwise as the Lender may determine to be commercially reasonable; and
- v. the Lender may establish an upset or reserve bid or price in respect of Collateral.

9. **Grant of Licence.** For the purpose of enabling the Lender to exercise its rights and remedies under Section 8 when the Lender is entitled to exercise such rights and remedies, and for no other purpose, and in consideration of the Lender entering into the Credit Agreement with the Debtor, the Debtor by this Agreement grants to the Lender an irrevocable, non-exclusive licence (exercisable without payment of royalty or other compensation to the Debtor) to use, assign or sublicense any or all of the Intellectual Property, including in such licence reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout of the same.

10. **Sale of Securities.** The Lender is authorized, in connection with any offer or sale of any Securities forming part of the Collateral, to comply with any limitation or restriction as it may be advised by counsel is necessary to comply with applicable securities laws, including compliance with procedures that may restrict the number of prospective bidders and purchasers, requiring that prospective bidders and purchasers have certain qualifications, and restricting prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account or investment and not with a view to the distribution or resale of such Securities. The Debtor further agrees that compliance with any such limitation or restriction will not result in a sale being considered or deemed not to have been made in a commercially reasonable manner, and the Lender will not be liable or accountable to the Debtor for any discount allowed by reason of the fact that such Securities are sold in compliance with any such limitation or restriction.

11. **Application of Proceeds.** All proceeds of Collateral received by the Lender may be applied to discharge or satisfy any expenses (including the Receiver's remuneration and other expenses of enforcing the Lender's rights under this Agreement), Security Interests in favour of Persons other than the Lender, borrowings, taxes and other outgoings affecting the Collateral or which are considered advisable by the Lender or the Receiver to protect, preserve, repair, process, maintain or enhance the Collateral or prepare it for sale, lease or other

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disposition, or to keep in good standing any Security Interests, if any, on the Collateral ranking in priority to any of the Security Interests created by this Agreement, or to sell, lease or otherwise dispose of the Collateral. The balance of such proceeds may, at the sole discretion of the Lender, be held as collateral security for the Liabilities or be applied to such of the Liabilities (whether or not the same are due and payable) in such manner and at such times as the Lender considers appropriate and thereafter will be accounted for as required by law.

12. **Continuing Liability of Debtor.** The Debtor will remain liable for any Liabilities that are outstanding following realization of all or any part of the Collateral and the application of the Proceeds thereof.
13. **Lender's Appointment as Attorney-in-Fact.** The Debtor constitutes and appoints the Lender and any officer or agent of the Lender, with full power of substitution, as the Debtor's true and lawful attorney-in-fact with full power and authority in the place of the Debtor and in the name of the Debtor or in its own name, from time to time in the Lender's discretion after a Default, to take any and all appropriate action and to execute any and all documents and instruments as, in the opinion of such attorney acting reasonably, may be necessary or desirable to accomplish the purposes of this Agreement. These powers are coupled with an interest and are irrevocable until this Agreement is terminated and the Security Interests created by this Agreement are released. Nothing in this Section affects the right of the Lender or any other Person, to sign and file or deliver (as applicable) all such financing statements, financing change statements, notices, verification agreements and other documents relating to the Collateral and this Agreement as the Lender or such other Person considers appropriate.
14. **Performance by Lender of Debtor's Obligations.** If the Debtor fails to perform or comply with any of its obligations under this Agreement, the Lender may, but need not, perform or otherwise cause the performance or compliance of such obligation, provided that such performance or compliance will not constitute a waiver, remedy or satisfaction of such failure. The expenses of the Lender incurred in connection with any such performance or compliance will be payable by the Debtor to the Lender on demand, and until paid, any such expenses will form part of the Liabilities and will be secured by the Security Interests created by this Agreement.
15. **Interest.** If any amount payable to the Lender under this Agreement is not paid when due, the Debtor will pay to the Lender, immediately on demand, interest on such amount from the date due until paid, at the Default Rate (as defined in the Credit Agreement). All amounts payable by the Debtor to the Lender under this Agreement, and all interest on all such amounts, compounded monthly on the last Business Day of each month, will form part of the Liabilities and will be secured by the Security Interests created by this Agreement.





16. **Severability.** Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and will be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.
17. **Rights of Lender and Limitations on Lender 's Obligations.**
- a. **Limitations on Lender's Liability.** The Lender will not be liable to the Debtor or any other Person for any failure or delay in exercising any of its rights under this Agreement (including any failure to take possession of, collect, sell, lease or otherwise dispose of any Collateral, or to preserve rights against prior parties). Neither the Lender, a Receiver nor any agent of the foregoing is required to take, or will have any liability for any failure to take or delay in taking, any steps necessary or advisable to preserve rights against other Persons under any Collateral in its possession. Neither the Lender nor any Receiver will be liable for any, and the Debtor will bear the full risk of all, loss or damage to any and all of the Collateral (including any Collateral in the possession of the Lender or any Receiver) caused for any reason other than the negligence or wilful misconduct of the Lender or such Receiver.
- b. **Debtor Remains Liable under Accounts and Contracts.** Notwithstanding any provision of this Agreement, the Debtor will remain liable under each of the Accounts and Contracts to observe and perform all the conditions and obligations to be observed and performed by the Debtor thereunder, all in accordance with the terms of any agreement giving rise to each such Account or in accordance with and pursuant to the terms and provisions of each such Contract. The Lender will have no obligation or liability under any Account (or any agreement giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Lender of any payment relating to such Account or Contract pursuant hereto, and in particular (but without limitation), the Lender will not be obligated in any manner to perform any of the obligations of the Debtor under or pursuant to any Account (or any agreement giving rise thereto) or under or pursuant to any Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto) or under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time.



- c. Notice to Account Debtors and Contracting Parties. At any time after an Event of Default has occurred, the Lender may (i) notify account debtors on the Accounts and parties to the Contracts that the Accounts and the Contracts have been assigned to the Lender and that payments in respect thereof will be made directly to the Lender and (ii) in its own name or in the name of the Debtor communicate with account debtors on the Accounts and parties to the Contracts to verify with them to its satisfaction the existence, status, amount and terms of any Account or any Contract.
- d. Analysis of Accounts. At any time a Default exists, the Lender may in its own name or in the name of the Debtor communicate with account debtors on the Accounts and parties to the Contracts to verify with them to its satisfaction the existence, status, amount and terms of any Account or any Contract.

18. Dealings by Lender. The Lender will not be obliged to exhaust its recourse against the Debtor or any other Person or against any other security it may hold in respect of the Liabilities before realizing upon or otherwise dealing with the Collateral in such manner as the Lender may consider desirable. The Lender may grant extensions of time and other indulgences, take and give up security, accept compositions, grant releases and discharges and otherwise deal with the Debtor and any other Person, and with any or all of the Collateral, and with other security and sureties, as the Lender may see fit, all without prejudice to the Liabilities or to the rights and remedies of the Lender under this Agreement. The powers conferred on the Lender under this Agreement are solely to protect the respective interests of the Lender in the Collateral and will not impose any duty upon the Lender to exercise any such powers.

19. Communication. Any notice or communication required or permitted to be given under this Agreement will be in writing and will be effectively made and given if (i) delivered personally, (ii) sent by prepaid courier service or mail, or (iii) sent prepaid by facsimile transmission or other similar means of electronic communication, in each case to the address or facsimile number of the Debtor or Lender as set out in the Credit Agreement. Any notice or communication so given will be deemed to have been given and to have been received on the day of delivery if so delivered, or on the day of facsimile transmission or sending by other means of recorded electronic communication provided that such day is a Business Day and the communication is so delivered or sent prior to 4:30 p.m. (local time at the place of receipt). Otherwise, such notice or communication will be deemed to have been given and to have been received on the following Business Day. Any notice or communication sent by mail will be deemed to have been given and to have been received on the fifth Business Day following mailing, provided that no disruption of postal service is in effect. The Debtor and the Lender may from time to time change their respective addresses or facsimile numbers for notice by giving notice to the other in accordance with the provisions of this Section.

20. **Waivers and Indemnity.** None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the parties. The Lender will not, by any act or delay, be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder will preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Lender of any right or remedy hereunder on any one occasion will not be construed as a bar to any right or remedy which the Lender would otherwise have on any future occasion. Neither the taking of any judgment nor the exercise of any power of seizure or sale will extinguish the liability of the Debtor to pay the Liabilities, nor will the same operate as a merger or any covenant contained in this Agreement or of any other liability, nor will the acceptance of any payment or other security constitute or create any novation. The Debtor agrees to indemnify the Lender from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (except by reason of the negligence or willful misconduct of the Lender) which may be imposed on, incurred by, or asserted against the Lender and arising by reason of any action (including any action referred to in this Agreement) or inaction or omission to do any act legally required by the Debtor. This indemnification will survive the satisfaction, release or extinguishment of the Liabilities and the Security Interests created by this Agreement.
21. **Amalgamation.** The Debtor acknowledges that if it merges or consolidates with any other corporation or corporations, with the prior written consent of the Lender, then (i) the Collateral and the Security Interests created by this Agreement will extend to and include all of the property and assets of each of the merging or consolidating corporations and the merged or consolidated corporation and any property or assets of the merged or consolidated corporation thereafter owned or acquired, (ii) the term "Debtor", where used in its Agreement, will extend to and include each of the merging or consolidating corporations and the merged or consolidated corporation; and (iii) the term "Liabilities", where used in this Agreement, will extend to and include the Liabilities of each of the merging or consolidating corporations and the merged or consolidated corporation.
22. **Governing Law; Attornment.** This Agreement will be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein, and will be treated, in all respects, as an Alberta contract. The Debtor submits and attorns to the exclusive jurisdiction of the courts of Alberta. To the extent permitted by applicable law, the Debtor irrevocably waives any objection (including any claim of inconvenient forum) that it may now

or hereafter leave to the venue of any legal proceeding arising out of or relating to this Agreement in courts of such Province.

23. **Conflict.** In the event that there is any conflict or inconsistency between the provisions contained in this Agreement and the provisions contained in the Credit Agreement, then the provisions of the Credit Agreement shall have priority over and shall govern to the extent of such conflict or inconsistency.
24. **Interpretation.** The division of this Agreement into sections and paragraphs, and the insertion of headings, is for convenience of reference only and will not affect the construction or interpretation of this Agreement. Unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders. When used in this Agreement, the word "including" (or includes) means "including (or includes) without limitation". Any reference in this Agreement to a "Section" means the relevant Section of this Agreement.
25. **Successors and Assigns.** This Agreement will enure to the benefit of, and be binding on, the Debtor and its successors and permitted assigns, and will enure to the benefit of, and be binding on, the Lender and its successors and assigns. The Debtor may not assign this Agreement, or any of its rights or obligations under this Agreement, without the prior written consent of the Lender.
26. **Acknowledgement of Receipt/Waiver.** The Debtor acknowledges receipt of an executed copy of this Agreement and, to the extent permitted by applicable law, waives the right to receive a copy of any financing statement, financing change statement or verification statement in respect of any registered financing statement or financing change statement prepared, registered or issued in connection with this Agreement.
27. **Execution by Facsimile.** This Agreement may be executed by facsimile and, if so executed, shall be deemed an original.
28. **Confidentiality.** The Lender shall hold all Books and Records and all information, whether written or oral, relating to the business affairs, finances and accounts of the Debtor (the "Confidential Information") in confidence and shall provide access to the Confidential Information only to its partners, employees, officers, directors, professional advisors or investment committee members who have a need to know. The Lender shall not disclose the Confidential Information to any third party without the prior written consent of the Debtor.

DATED the 31 day of July, 2002.

**ALTERNA TECHNOLOGIES GROUP INC.**

Per:



c/s

Name:

G NARANJO

Title:

President & CEO

**Address:**

5970 Centre Street S.E., Suite 200  
Calgary, Alberta  
T2H 0C1

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DATED the 31 day of July, 2002.

**ALTERNA TECHNOLOGIES GROUP INC.**

Per:

 \_\_\_\_\_ c/s

Name: **MARK A. BUTLER**  
Title: **CORPORATE SECRETARY**

Address: 5970 Centre Street S.E., Suite 200  
Calgary, Alberta  
T2H 0C1

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