

07-13-2005

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103041194

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

**1. Name of conveying party(ies):**

HeatWave Technologies Inc., by Wolrlige Mahon Limited, in its capacity as Receiver of its assets

- Individual(s)
- General Partnership
- Corporation- State: Canada
- Other \_\_\_\_\_
- Association
- Limited Partnership

Citizenship (see guidelines) Canada

Additional names of conveying parties attached?  Yes  No

**3. Nature of conveyance /Execution Date(s) :**

Execution Date(s) 04/03/04

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

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

Additional names, addresses, or citizenship attached?  Yes  No

Name: Forest Grove Lumber Company, Inc.

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

Street Address: 2700 Orchard Avenue

City: McMinnville

State: Oregon

Country: U.S.A. Zip: 97128

- Association
- General Partnership
- Limited Partnership
- Corporation
- Other \_\_\_\_\_

Citizenship \_\_\_\_\_  
If assignee is not domiciled in the United States, a domestic representative designation is attached:  Yes  No  
(Designations must be a separate document from assignment)

**4. Application number(s) or registration number(s) and identification or description of the Trademark.**

A. Trademark Application No.(s)

B. Trademark Registration No.(s)  
2,839,400; 2,766,096; 2,837,622

Additional sheet(s) attached?  Yes  No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

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

Name: Charles D. McClung, Esq.

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

Street Address: 1600 ODS Tower, 601 S.W. Second Avenue

City: Portland

State: Oregon Zip: 97204

Phone Number: (503) 227-5631

Fax Number: (503) 228-4373

Email Address: jinda@chernofflaw.com

**6. Total number of applications and registrations involved:**

3

**7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 90.00**

- Authorized to be charged by credit card
- Authorized to be charged to deposit account
- Enclosed

**8. Payment Information:**

a. Credit Card Last 4 Numbers \_\_\_\_\_  
Expiration Date \_\_\_\_\_

b. Deposit Account Number 03-1550

Authorized User Name Chernoff, Vilhauer, et al.

**9. Signature:**

Signature

July 8, 2005

Date

Charles D. McClung

Name of Person Signing

Total number of pages including cover sheet, attachments, and document: **19**

Documents to be recorded (including cover sheet) should be faxed to (703) 306-5995, or mailed to: Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

~~07/12/2005 EC00PER 00000204 2839400~~

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07/12/2005 EC00PER 00000231 2839400

50.00

02 FC:0522

TRADEMARK  
REEL: 003191 FRAME: 0310

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made as of March 4, 2004

AMONG:

**HEATWAVE TECHNOLOGIES INC.**, a company incorporated under the laws of Canada and having an office at 1630 West 75<sup>th</sup> Avenue, Vancouver, British Columbia, V6P 6G2, (Fax: 604-264-9096)

(the "Borrower")

AND:

**WORKING OPPORTUNITY FUND (EVCC) LTD.**, a company incorporated under the laws of the Province of British Columbia, and having an office at 2600 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 3R5 (Fax: 604-669-7605)

("WOF")

AND:

**GROWTH WORKS ACCESS FUND LIMITED PARTNERSHIP**, a limited partnership formed under the laws of the Province of British Columbia, of 2600 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 3R5 (Fax: 604-669-7605)

("Access")

AND:

**BUSINESS DEVELOPMENT BANK OF CANADA**, a Crown corporation incorporated under the *Business Development Bank of Canada Act* and having an address at Main Floor, BDC Tower, Bentall One, 505 Burrard Street, P.O. Box 6, Vancouver, British Columbia V7X 1V3 (Fax: 604- 666-7650)

("BDC")

AND:

**CAISSE DE DEPOT ET PLACEMENT DU QUEBEC**, a company incorporated under the laws of Quebec having an office at 1000, Place Jean-Paul-Riopelle, Montreal, Quebec H2Z 2B3, (Fax: 514-847-2628)

("CDPQ")

AND:

**EXPORT DEVELOPMENT CANADA**, a corporation established by an Act of the Parliament of Canada, and having its head office at 151 O'Connor Street, Ottawa, Ontario, K1A 1K3 (Fax: 613-597-8599)

("EDC" and together with WOF, Access, BDC and CDPQ the "Secured Parties" and individually a "Secured Party")

## 1. SECURITY INTEREST

1.1 For consideration as security for the payment and performance of the Obligations (as defined in Section 5), the Borrower does hereby:

- (a) mortgage and charge as and by way of a fixed and specific charge, and assign and transfer to the Secured Parties, and grant to the Secured Parties a security interest in, all the Borrower's right, title and interest in and to all its presently owned or held and after acquired or held personal property, of whatever nature or kind and wheresoever situate, and all proceeds thereof and therefrom including:
  - (i) all equipment, including, without limiting the generality of the foregoing, machinery, tools, fixtures, furniture, furnishings, chattels, motor vehicles and other tangible personal property that is not Inventory, and all parts, components, attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the foregoing (all of which is hereinafter collectively called the "Equipment") except undelivered equipment and components which pertain to a customer and for which the customer has paid and such customer has registered a security interest in the form of registrations under the *Personal Property Security Act* (British Columbia) which will rank in priority to the security interest of the Secured Parties in such undelivered equipment and components;
  - (ii) all inventory, including, without limiting the generality of the foregoing, goods acquired or held for sale or lease or furnished or to be furnished under contracts of rental or service, all raw materials, work in process, finished goods, returned goods, repossessed goods, and all packaging materials, supplies and containers relating to or used or consumed in connection with any of the foregoing (all of which is hereinafter collectively called the "Inventory");
  - (iii) all debts, accounts, claims, demands, monies and choses in action which now are, or which may at any time hereafter be, due or owing to or owned by the Borrower and all books, records, documents, papers and electronically recorded data recording, evidencing or relating to the said debts, accounts, claims, demands, monies and choses in action or any part thereof (all of which is hereinafter collectively called the "Accounts") except for customer deposit payments and progress payments in respect of unfinished equipment and components held in segregated accounts by the Borrower;
  - (iv) all documents of title, chattel paper, instruments, securities and money, and all other goods of the Borrower that are not Equipment, Inventory or Accounts; and
  - (v) all contractual rights, licenses, goodwill, trade names, copyrights and other intellectual property of the Borrower (other than trade-marks and patents), all other choses in action of the Borrower of every kind which now are, or which may at any time hereafter be, due or owing to or owned by the Borrower, and all other intangible property of the Borrower which is not Accounts, chattel paper, instruments, documents of title, securities or money;
- (b) grant a security interest in all trade-marks and patents of the Borrower, registered or unregistered, which the Borrower now owns or hereafter may own or have rights in;

provided that nothing herein shall be construed as effecting a present assignment by the Borrower in favour of the Secured Parties of such trade-marks or patents;

(all patents, copyrights and registered trade-marks and other intellectual property of the Borrower are hereinafter collectively called the "**Intellectual Property**")

- (c) charge as and by way of a floating charge, and grant to the Secured Parties a security interest in and to:
  - (i) all of the Borrower's right, title and interest in and to all its presently owned or held and after acquired or held real, immovable and leasehold property and all interests therein, and all easements, rights-of-way, privileges, benefits, licenses, improvements and rights whether connected therewith or appurtenant thereto or separately owned or held, including all structures, plant and other fixtures (all which is hereinafter collectively called the "**Real Property**"); and
  - (ii) all assets and undertakings of the Borrower, of whatsoever nature or kind and wheresoever situate, and all proceeds thereof and therefrom, other than such of its assets and undertakings as are otherwise validly and effectively subject to the charges and security interest in favour of the Secured Parties created pursuant to this Clause 1.1.

1.2 The charges, assignments and transfers and security interests created pursuant to Clause 1.1 are hereinafter collectively called the "**Security Interests**" and the property subject to the Security Interests and all property, assets and undertakings, expressed to be charged, assigned or transferred or secured by any instruments supplemental hereto or in implementation hereof are hereinafter collectively called the "**Collateral**").

1.3 For the purposes of Section 203 of the *Land Title Act* (British Columbia), the floating charge created by this Security Agreement over real property shall become a fixed charge thereon upon the earliest of:

- (a) the occurrence of any event described in Clause 11.1(c), (d), (e) or (f); and
- (b) the Secured Parties taking any action pursuant to Clause 12 to enforce and realize on the security interests created herein.

## 2. EXCEPTIONS

2.1 The last 10 days of the term created by any lease or agreement therefor are hereby excepted out of any charge or security interest created by this Security Agreement on leases of real property but the Borrower shall stand possessed of the reversion thereby remaining upon trust to assign and dispose thereof to any third party as the Secured Parties shall direct.

2.2 Nothing in this Security Agreement shall constitute an assignment or attempted assignment of any right, privilege, benefit, contract, permit, policy or other document or instrument which by the provisions thereof or by law is not assignable or which requires the consent of any third party to its assignment unless such is obtained or waived by the third party. In each such case, the Borrower shall, unless the Secured Parties otherwise agrees in writing, forthwith obtain the consent of any necessary third party to its assignment under this Security Agreement and for its further assignment by the Secured Parties to any third party who may acquire same as a result of the Secured Parties' exercise of remedies

after an Event of Default (hereinafter defined). Upon such consents being obtained or waived, this Security Agreement shall apply thereto without regard to this Clause 2.2 and without the necessity of any further assurance to effect the assignment thereof. Until such consent to assignment is obtained, the Borrower shall, to the extent it may do so by law or pursuant to the provisions of the document or instrument in question, hold all benefit to be derived therefrom in trust for the Secured Parties as additional security for performance of the Obligations and shall deliver up all such benefit to the Secured Parties forthwith upon demand by the Secured Parties.

### 3. ATTACHMENT

The Borrower acknowledges that the Security Interests are hereby created upon the execution of this Security Agreement (or in the case of any after acquired property, upon the date of acquisition thereof), that value has been given, and that the Borrower has (or in the case of any after acquired property, will have upon the date of acquisition) rights in the Collateral.

### 4. PROHIBITIONS

Without the prior written consent of the Secured Parties, the Borrower shall not have power to:

- (a) create or permit to exist any security interest in, charge, encumbrance or lien over, or claim against any of its property, assets, or undertakings which ranks or could in any event rank in priority to or pari passu with any of the Security Interests created by this Security Agreement other than as set out in the attached Schedule A; or
- (b) grant, sell or otherwise assign its chattel paper.

### 5. OBLIGATIONS SECURED

This Security Agreement and the Security Interests hereby created are in addition to and not in substitution for any other security interest now or hereafter held by the Secured Parties from the Borrower or from any other person whomsoever and shall be general and continuing security for the payment of all indebtedness and liability of the Borrower to the Secured Parties (including interest thereon) present and future, absolute or contingent, joint or several, direct or indirect, matured or not, extended or renewed, wheresoever and howsoever incurred, and any ultimate balance thereof, including all advances on current or running account, future advances and re-advances, and for the performance of all obligations of the Borrower to the Secured Parties whether or not contained in this Security Agreement or in any other agreement (all of which indebtedness, liability and obligations are hereinafter collectively called the "Obligations").

### 6. REPRESENTATIONS AND WARRANTIES

6.1 The Borrower represents and warrants that this Security Agreement is granted in accordance with resolutions of the directors of the Borrower or, if the Borrower is a partnership, of the partners, of the Borrower, and all other matters and things have been done and performed so as to authorize and make the execution and delivery of this Security Agreement, and the performance of the Borrower's obligations hereunder, legal, valid and binding and enforceable against the Borrower.

6.2 The Borrower represents and warrants that the Borrower lawfully owns and possesses all presently held Collateral and has good title thereto, free from all security interests, charges, encumbrances, liens and claims, save only the charges or security interests, if any, consented to in writing

by the Secured Parties or shown in any Schedule hereto, and the Borrower has good right and lawful authority to grant a security interest in the Collateral as provided by this Security Agreement.

6.3 With respect to any Intellectual Property, the Borrower represents and warrants that:

- (a) such Intellectual Property is subsisting and has not been adjudged invalid or unenforceable, in whole or in part;
- (b) such Intellectual Property is valid and enforceable by the Borrower;
- (c) all required registrations and applications for registration in respect of the Intellectual Property including without limitation all relevant renewals have been duly and properly made, are in full force and effect and are not subject to dispute by any governmental authority and all leases, licenses and other agreements affecting any of the right, title or interest of the Borrower in any of the Intellectual Property are in good standing and in full force and effect;
- (d) the Borrower owns directly or is entitled to use by license or otherwise all patents, trademarks, copyrights, trade secrets, licenses, technology, know-how, processes and other information and rights and all other Intellectual Property with respect to the Collateral;
- (e) the Borrower has made all necessary filings, registrations and recordations to protect all of its right, title and interest in the Intellectual Property, including without limitation recordations of all such rights, title and interest in related patents, trademarks and copyrights;
- (f) no litigation is pending or, to the knowledge of the Borrower, threatened against the Borrower which contains allegations in respect of the validity, enforceability, infringement or ownership of any of the Intellectual Property, including without limitation any of the Borrower's right, title or interest in the Intellectual Property;
- (g) the granting of this Security Agreement by the Borrower in favour of the Secured Parties does not constitute a breach or trigger or accelerate any provision or performance of any provision of any third party agreements;
- (h) other than as disclosed in the loan agreement of even date herewith between the Borrower and the Secured Parties (the "Loan Agreement"), the Borrower is the exclusive owner of all right, title and interest in and to the Intellectual Property and no claim has been made by any person that the use of such Intellectual Property by the Borrower violates the rights of that person or any third party; and
- (i) the Borrower has performed and will continue to perform all acts and has paid and will continue to pay all required fees and taxes to maintain each and every such item of Intellectual Property in full force and effect.

## 7. COVENANTS OF THE BORROWER

7.1 The Borrower covenants that at all times while this Security Agreement remains in effect the Borrower will:

- (a) defend the title to the Collateral for the benefit of the Secured Parties against the claims and demands of all persons;
- (b) fully and effectively maintain and keep maintained the Security Interests hereby created valid and effective;
- (c) maintain the Collateral in good order and repair;
- (d) forthwith pay:
  - (i) all taxes, assessments, rates, duties, levies, government fees, claims and dues lawfully levied, assessed or imposed upon it or the Collateral when due, unless the Borrower shall in good faith contest its obligations so to pay and shall furnish such security as the Secured Parties may require; and
  - (ii) all security interests, charges, encumbrances, liens and claims which rank or could in any event rank in priority to any Security Interest created by this Security Agreement other than as set out in the attached Schedule A;
- (e) forthwith pay all costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) which may be incurred by any of the Secured Parties in:
  - (i) inspecting the Collateral;
  - (ii) negotiating, preparing, perfecting and registering this Security Agreement and other documents, whether or not relating to this Security Agreement;
  - (iii) investigating title to the Collateral;
  - (iv) taking, recovering and keeping possession of the Collateral;
  - (v) all other actions and proceedings taken in connection with the preservation of the Collateral and the enforcement of this Security Agreement and of any other security interest held by the Secured Parties as security for the Obligations; and
  - (vi) complying with the disclosure requirements under the Act;
- (f) at the Secured Parties' request at any time and from time to time execute and deliver such further and other documents and instruments and do all acts and things as the Secured Parties in their absolute discretion require in order to confirm and perfect, and maintain perfection of, the Security Interests hereby created in favour of the Secured Parties upon any of the Collateral;
- (g) notify the Secured Parties promptly of:
  - (i) any change in the information contained herein relating to the Borrower, its business or the Collateral, including without limitation any change of name or address of the Borrower and any change in the present location of any Collateral;
  - (ii) the details of any material acquisition of Collateral;
  - (iii) any material loss or damage to Collateral;

- (iv) any material default by any account debtor in payment or other performance of his obligations to the Borrower with respect to any Accounts; and
- (v) the return to or repossession by the Borrower of Collateral where such return or repossession of Collateral is material in relation to the business of the Borrower;
- (h) prevent Collateral from being or becoming an accession to other property not covered by this Security Agreement;
- (i) carry on and conduct its business in a proper and business-like manner, including maintenance of proper books of account and records;
- (j) permit the Secured Parties and any of their representatives, on reasonable notice and at all reasonable times, access to all its property, assets and undertakings and to all its books of account and records for the purpose of inspection and render all assistance necessary for such inspection;
- (k) deliver to the Secured Parties from time to time promptly upon written request:
  - (i) any documents of title, instruments, securities and chattel paper constituting, representing or relating to Collateral;
  - (ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to Collateral for the purpose of inspecting, auditing or copying the same;
  - (iii) all financial statements prepared by or for the Borrower regarding the Borrower's business;
  - (iv) such information concerning Collateral, the Borrower and the Borrower's business and affairs as the Secured Parties may require.

8. NEGATIVE COVENANTS

The Borrower covenants that at all times while this Security Agreement remains in effect, without the prior written consent of the Secured Parties, it will not:

- (a) declare or pay any dividends;
- (b) purchase or redeem any of its shares or otherwise reduce its share capital;
- (c) become a guarantor of any obligation;
- (d) become an endorser in respect of any obligation or otherwise become liable upon any note or other obligation other than bills of exchange deposited to the bank account of the Borrower; or
- (e) sell, lease or otherwise dispose of any of the Collateral outside of the ordinary course of the business of the Borrower.



## 9. INSURANCE

9.1 The Borrower covenants that at all times while this Security Agreement is in effect the Borrower shall:

- (a) maintain or cause to be maintained insurance on the Collateral with an insurer, of kinds, for amounts and payable to such person or persons, all as the Secured Parties may require, and in particular maintain insurance on the Collateral to the full insurable value against loss or damage by fire including extended coverage endorsement and in the case of motor vehicles, maintain insurance against theft;
- (b) if requested in writing by the Secured Parties, cause the insurance policy or policies required hereunder to be assigned to the Secured Parties and have as part thereof a standard mortgage clause or a mortgage endorsement, as appropriate; and
- (c) pay any premium in connection with such insurance, and deliver all such policies to the Secured Parties, if they so require.

9.2 If proceeds of any insurance required hereunder become payable, the Secured Parties may, in their absolute discretion, apply such proceeds to such part or parts of the Obligations as the Secured Parties may see fit or the Secured Parties may release any such insurance proceeds to the Borrower for the purpose of repairing, replacing or rebuilding, but any release of insurance proceeds to the Borrower shall not operate as a payment on account of the Obligations or in any way affect this Security Agreement.

9.3 The Borrower will forthwith, on the happening of loss or damage to the Collateral, notify the Secured Parties thereof and furnish to the Secured Parties at the Borrower's expense any necessary proof and do any necessary act to enable the Secured Parties to obtain payment of the insurance proceeds, but nothing herein contained shall limit the Secured Parties' right to submit to the insurer a proof of loss on behalf of the Secured Parties.

9.4 The Borrower hereby authorizes and directs the insurer under any policy of insurance required hereunder to include the name of the Secured Parties as a loss payee on any cheque or draft which may be issued with respect to a claim under and by virtue of such insurance, and the production by the Secured Parties to any insurer of a certified copy of this Security Agreement shall be its full and complete authority for so doing.

9.5 If the Borrower fails to maintain insurance as required by Clause 9.1, the Secured Parties may, but shall not be obliged to, maintain or effect such insurance coverage, or so much thereof as the Secured Parties consider necessary for its protection.

## 10. PERFORMANCE OF OBLIGATIONS

If the Borrower fails to perform its obligations hereunder, the Secured Parties may, but shall not be obliged to, perform any or all of such obligations without prejudice to any other rights and remedies of the Secured Parties hereunder, and any payments made and any costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred in connection therewith shall be payable by the Borrower to the Secured Parties forthwith with interest until paid at the highest rate borne by any of the Obligations.

## 11. DEFAULT

11.1 The Borrower shall be in default under this Security Agreement, unless waived by the Secured Parties, in any of the following events (each an "Event of Default" and together, "Events of Default"):

- (a) the Borrower makes default in payment when due of any indebtedness or liability of the Borrower to the Secured Parties or any other third party; or
- (b) the Borrower is in breach of any term, condition, obligation, covenant, representation or warranty made by the Borrower to the Secured Parties in this Security Agreement, the Loan Agreement, any promissory notes issued by the Borrower to the Secured Parties or any other agreement(s) between the Borrower and the Secured Parties as amended or replaced from time to time; or
- (c) the Borrower declares itself to be insolvent or admits in writing its inability to pay its debts generally as they become due, or makes an assignment for the benefit of its creditors, is declared bankrupt, makes a proposal or otherwise takes advantage of provisions for relief under the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act* or similar legislation in any jurisdiction, or makes an authorized assignment; or
- (d) a receiver, receiver and manager or receiver-manager of all or any part of the Collateral is appointed; or
- (e) an order is made or an effective resolution is passed for winding-up the Borrower; or
- (f) the Borrower ceases or threatens to cease to carry on all or a substantial part of its business; or
- (g) an order of execution against the Collateral or any part thereof remains unsatisfied for a period of 10 days; or
- (h) there is an unsatisfied non appealable court judgement against the Company in the amount of \$100,000 or more; or
- (i) other than as set out in the Loan Agreement, without the prior written consent of the Secured Parties, the Borrower creates or permits to exist any security interest in, charge, encumbrance, lien on or claim against any of the Collateral which ranks or could in any event rank in priority to or pari passu with any of the Security Interests created by this Security Agreement or as set out in the attached Schedule A; or
- (j) the holder of any other security interest, charge, encumbrance or lien or claim against any of the Collateral does anything to enforce or realize on such security interest, charge, encumbrance, lien or claim; or
- (k) the Borrower enters into an amalgamation, a merger or other similar arrangement with any other person; or
- (l) the Secured Parties in good faith believe and have commercially reasonable grounds to believe that the Collateral is or is about to be placed in jeopardy.

Upon delivery of any demand to the Borrower, the Obligations referred to in the demand and any accrued interest thereon shall immediately become due and payable.

## 12. ENFORCEMENT

12.1 Upon any default under this Security Agreement the Secured Parties may declare any or all of the Obligations not payable on demand to become immediately due and payable and the security hereby constituted will immediately become enforceable. To enforce and realize on the Security Interests created by this Security Agreement, the Secured Parties may take any action permitted by law or in equity, as they may deem expedient, and in particular and without limiting the generality of the foregoing, the Secured Parties may do any of the following:

- (a) appoint by instrument a receiver, receiver and manager or receiver-manager (the person so appointed being hereinafter called the "Receiver") of the Collateral, with or without bond as the Secured Parties may determine, and from time to time in their absolute discretion remove such Receiver and appoint another in its stead;
- (b) enter upon any premises of the Borrower and take possession of the Collateral with power to exclude the Borrower, its agents and its servants therefrom, without becoming liable as a mortgagee in possession;
- (c) preserve, protect and maintain the Collateral and make such replacements thereof and repairs and additions thereto as the Secured Parties may deem advisable;
- (d) sell, lease or otherwise dispose of all or any part of the Collateral, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained therefor and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as to the Secured Parties may seem reasonable, provided that if any sale, lease or other disposition is on credit the Borrower will not be entitled to be credited with the proceeds of such sale, lease or other disposition until the monies therefor are actually received; and
- (e) exercise all of the rights and remedies of a secured party under the Act.

12.2 A Receiver appointed pursuant to this Security Agreement shall be the agent of the Borrower and not of the Secured Parties and, to the extent permitted by law or to such lesser extent permitted by its appointment, shall have all the powers of the Secured Parties hereunder, and in addition shall have power to carry on the business of the Borrower and for such purpose from time to time to borrow money either secured or unsecured, and if secured by a security interest on any Collateral, such security interest may rank before or pari passu with or behind any of the Security Interests created by this Security Agreement, and if it does not so specify such security interest shall rank in priority to the Security Interests created by this Security Agreement.

12.3 Subject to the claims, if any, of the creditors of the Borrower ranking in priority to this Security Agreement, all amounts realized from the disposition of Collateral pursuant to this Security Agreement will be applied as the Secured Parties, in their absolute discretion, may direct as follows:

- (a) in payment of all costs, charges and expenses (including legal fees and disbursements on a solicitor and his own client basis) incurred by any Secured Parties in connection with or incidental to:

- (i) the exercise by the Secured Parties of all or any of the powers granted to them pursuant to this Security Agreement; and
  - (ii) the appointment of the Receiver and the exercise by the Receiver of all or any of the powers granted to it pursuant to this Security Agreement, including the Receiver's reasonable remuneration and all outgoings properly payable by the Receiver;
- (b) in or toward payment to the Secured Parties of all principal and other monies (except interest) due in respect of the Obligations; and
  - (c) in or toward payment to the Secured Parties of all interest remaining unpaid in respect of the Obligations.

Subject to applicable law and the claims, if any, of other creditors of the Borrower, any surplus will be paid to the Borrower.

### 13. DEFICIENCY

If the amounts realized from the disposition of the Collateral are not sufficient to pay the Obligations in full, the Borrower will immediately pay to the Secured Parties the amount of such deficiency.

### 14. LIABILITY OF SECURED PARTIES

The Secured Parties shall not be responsible or liable for any debts contracted by any of them, for damages to persons or property or for salaries or non-fulfillment of contracts during any period when the Secured Parties shall manage the Collateral upon entry, as herein provided, nor shall the Secured Parties be liable to account as a mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable. The Secured Parties shall not be bound to do, observe or perform or to see to the observance or performance by the Borrower of any obligations or covenants imposed upon the Borrower nor shall the Secured Parties, in the case of securities, instruments or chattel paper, be obliged to preserve rights against other persons, nor shall the Secured Parties be obliged to keep any of the Collateral identifiable. The Borrower hereby waives any applicable provision of law permitted to be waived by it which imposes higher or greater obligations upon the Secured Parties than aforesaid.

### 15. APPOINTMENT OF ATTORNEY

15.1 The Borrower unconditionally and irrevocably appoints the Secured Parties as such Borrower's true and lawful attorneys for the sole use and benefit of the Secured Parties and at such Borrower's own cost and expense, to exercise, at any time and from time to time, any or all of the following powers: (a) to demand, sue for, collect and receive any and all monies due or to become due in respect of any of the Collateral; (b) to settle, compromise, prosecute or defend any action or proceeding with respect to any of the Collateral; (c) to sell, transfer, assign or otherwise deal with the Collateral and the proceeds thereof as fully and effectually as if the Secured Parties were the absolute owner thereof; (d) to extend the time of payment and to make any allowance and other adjustments with respect to any Accounts or any other portion of the Collateral; and (e) to sign, endorse or execute any transfers or assignments of any Intellectual Property of the Borrower and to take such further action as the Secured Parties deem necessary or to effectuate a transfer or assignment of such Intellectual Property, and to do all acts or things as may be necessary or incidental to the exercise of all of the powers conferred on the Secured

Parties or the Receiver, as the case may be, pursuant to this Security Agreement. The Secured Parties shall not take any of the foregoing action or actions pursuant to the attorney granted by the Borrower in this section unless a default shall have occurred and be continuing hereunder. The Borrower unconditionally and irrevocably ratifies all action or actions which the Secured Parties shall lawfully do or cause to be done by virtue of the power of attorneys granted herein. The power of attorneys contained herein is each a power coupled with an interest and shall be irrevocable until all of the Obligations have been repaid in full.

16. ACCOUNTS

Notwithstanding any other provision of this Security Agreement, the Secured Parties may collect, realize, sell, or otherwise deal with the Accounts or any part thereof in such manner, upon such terms and conditions and at such time or times, whether before or after default, as may seem to them advisable, and without notice to the Borrower, except in the case of disposition after default and then subject to the provisions of Part V of the Act. All monies or other forms of payment received by the Borrower in payment of any Account will be received and held by the Borrower in trust for the Secured Parties.

17. APPROPRIATION OF PAYMENTS

Any and all payments made in respect of the Obligations from time to time and monies realized from any security interests held therefor (including monies collected in accordance with or realized on any enforcement of this Security Agreement) may be applied to such part or parts of the Obligations as the Secured Parties may see fit, and the Secured Parties may at all times and from time to time change any appropriation as the Secured Parties may see fit.

18. CONSOLIDATION

In accordance with the *Property Law Act* (British Columbia), the doctrine of consolidation applies to this Security Agreement.

19. LIABILITY TO ADVANCE

Except to the extent that a Secured Parties:

- (a) by accepting bills of exchange drawn on it by the Borrower; or
- (b) by issuing letters of credit or letters of guarantee on the application of the Borrower;

is required to advance monies on the maturity of such bills or pursuant to such letters of credit or letters of guarantee, as the case may be, none of the preparation, execution, perfection and registration of this Security Agreement or the advance of any monies shall bind the Secured Parties to make any advance or loan, or renew any note or extend any time for payment of any indebtedness or liability of the Borrower to the Secured Parties.

20. WAIVER

The Secured Parties may from time to time and at any time waive in whole or in part any right, benefit or default under any clause of this Security Agreement but any such waiver of any right, benefit or default on any occasion shall be deemed not to be a waiver of any such right, benefit or default thereafter, or of any other right, benefit or default, as the case may be. No waiver shall be effective unless it is in writing.

21. NOTICE

Notice may be given to any party by sending it through the post in prepaid mail, delivering it by prepaid courier, delivering it personally or transmitting it by facsimile to the party for whom it is intended, at the principal address or fax number of such party provided herein or at such other address or fax number as may be given in writing by such party to the other. Any notice if posted shall be deemed to have been given at the expiration of three business days after posting and if delivered, on delivery, provided that if such day is not a business day, then such notice or other writing shall be deemed to have been given and received on the next business day following such day. Any notice or other writing transmitted by facsimile or other form of recorded communication shall be deemed to be given and received on the first business day after its transmission.

22. EXTENSIONS

The Secured Parties may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of security interests, and otherwise deal with the Borrower, account debtors of the Borrower, sureties and others and with Collateral and other security interests as the Secured Parties see fit without prejudice to the liability of the Borrower or the Secured Parties' right to hold and realize on the Security Interests created by this Security Agreement.

23. NO MERGER

This Security Agreement shall not operate so as to create any merger or discharge of any of the Obligations, or of any assignment, transfer guarantee, lien, contract, promissory note, bill of exchange or security interest of any form held or which may hereafter be held by the Secured Parties from the Borrower or from any other person whomsoever. The taking of a judgment with respect to any of the Obligations will not operate as a merger of any of the covenants contained in this Security Agreement.

24. RIGHTS CUMULATIVE

All rights and remedies of the Secured Parties set out in this Security Agreement, and in any other security agreement held by the Secured Parties from the Borrower or any other person whomsoever to secure payment and performance of the Obligations, are cumulative and no right or remedy contained herein or therein is intended to be exclusive but each is in addition to every other right or remedy contained herein or therein or in any future security agreement, or now or hereafter existing at law, in equity or by statute, or pursuant to any other agreement between the Borrower and the Secured Parties that may be in effect from time to time.

25. ASSIGNMENT

The Secured Parties may, without further notice to the Borrower, at any time assign, transfer or grant a security interest in this Security Agreement and the Security Interests created hereby to Affiliates (as that term is defined in the Shareholders' Agreement between the Secured Parties, the Borrower and certain others dated July 9, 2002 as amended or restated from time to time (the "Shareholders' Agreement")) of the Secured Parties in accordance with the Shareholders' Agreement. The Borrower expressly agrees that the assignee, transferee or secured party, as the case may be, shall have all of the Secured Parties' rights and remedies under this Security Agreement and the Borrower will not assert any defense, counterclaim, right of set-off or otherwise any claim which it now has or hereafter acquires against the Secured Parties in any action commenced by such assignee, transferee or secured party, as the

case may be, and will pay the Obligations to the assignee, transferee or secured party, as the case may be, as the Obligations become due.

26. SATISFACTION AND DISCHARGE

Any partial payment or satisfaction of the Obligations, or any ceasing by the Borrower to be indebted to the Secured Parties shall be deemed not to be a redemption or discharge of this Security Agreement. The Borrower shall be entitled to a release and discharge of this Security Agreement upon full payment and satisfaction of all Obligations, and upon written request by the Borrower and payment to the Secured Parties of a discharge fee to be fixed by the Secured Parties and payment of all costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred by the Secured Parties in connection with the Obligations and such release and discharge.

27. ENUREMENT

This Security Agreement shall enure to the benefit of the Secured Parties and their respective successors and assigns, and shall be binding upon the successors and permitted assigns of the Borrower.

28. INTERPRETATION

28.1 In this Security Agreement:

- (a) "Collateral" has the meaning set out in Clause 1 hereof and any reference to Collateral shall, unless the context otherwise requires, be deemed to be a reference to Collateral as a whole or any part thereof;
- (b) "the Act" means the *Personal Property Security Act* (British Columbia) and all regulations thereunder, as amended from time to time.

28.2 Words and expressions used herein that have been defined in the Act shall be interpreted in accordance with their respective meanings given in the Act unless otherwise defined herein or unless the context otherwise requires.

28.3 The invalidity or unenforceability of the whole or any part of any clause of this Security Agreement shall not affect the validity or enforceability of any other clause or the remainder of such clause.

28.4 The headings of the clauses of this Security Agreement have been inserted for reference only and do not define, limit, alter or enlarge the meaning of any provision of this Security Agreement.

28.5 Words (including defined terms) using or importing the singular number include the plural and vice versa and words importing one gender only shall include all genders and words importing persons in this Security Agreement shall include individuals, partnerships, corporations and any other entities, legal or otherwise.

28.6 This Security Agreement shall be governed by the laws of British Columbia.

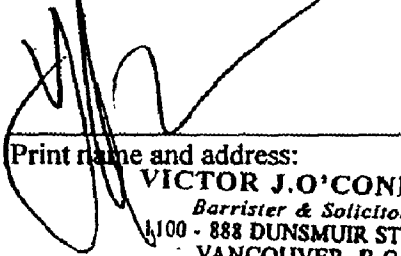
29. COPY OF AGREEMENT AND FINANCING STATEMENT

The Borrower hereby:

- (a) acknowledges receiving a copy of this Security Agreement; and
- (b) waives all rights to receive from the Secured Parties a copy of any financing statement or financing change statement filed, or any verification statement received, at any time in respect of this Security Agreement.

IN WITNESS WHEREOF the Borrower has executed this Security Agreement.

Officer Signature




Print name and address:  
**VICTOR J. O'CONNOR**  
*Barrister & Solicitor*  
 1100 - 888 DUNSMUIR STREET  
 VANCOUVER, B.C.  
 V6C 3K4

Execution Date

Y	M	D
04	03	04

HEATWAVE TECHNOLOGIES INC.

by its authorized signatory:



Print Name:  
 STEPHEN J. CURRAN

OFFICER CERTIFICATION:

Your signature constitutes a representation that you are solicitor, notary public or other person authorized by the Evidence Act, R.S.B.C. 1996, c. 124, to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the Land Title Act as they pertain to the execution of this instrument.



**SCHEDULE A**

**LIST OF PERMITTED ENCUMBRANCES**

**British Columbia Personal Property Registrations**

<b>Base Number</b>	<b>Creditor</b>	<b>Collateral</b>
1. 9034791	IKON Office Solutions Inc.	<p>All office equipment and goods manufactured or bearing the name of CAN or OCE or Ricoh or Panasonic or Brother or Mita or Panafax or Riso or other brand of office equipment supplied by or on behalf of the secure party together with all attachments.</p> <p>Accessories, accessions, replacements, substitutions, additions and improvements thereto and rights to insurance payments or any other payments as indemnity or compensation for loss of or damage to the collateral or proceeds of the collateral.</p>
2. 9170321	Onset Capital Corporation	<p>Sharp GHC 13/10-43 metal lathe s/n 20487 c/w 3 jaw chuck, 4 jaw chuck, steady rest, follow rest faceplate, floorstand 230 v single phase, together with all attachments, accessories, accessions, replacements, substitutions, additions and improvements thereto and all proceeds in any form derived directly or indirectly from any sale and or dealings with the collateral and a right to an insurance payment or other payment that indemnifies or compensates for loss or damage to the collateral or proceeds of the collateral.</p>
3. 9219310	CIT Financial Ltd.	<p>All present and after acquired computers, computer accessories, computer accessions, and computer software including but not limited to computer hardware, computer monitors, computer modems, computer keyboards, computer printers, computer software, computer software manuals and computer software licences and all proceeds therefrom that are goods, accounts, notes, instruments, securities, trade-ins, chattel paper, documents of title, contract rights, rental payments, insurance payments, intangibles, and other property or obligations received when the said collateral is sold, dealt with or otherwise disposed of, or any proceeds thereof. Terms used herein, which are defined in the Personal Property</p>

Base Number	Creditor	Collateral
4. 9377058	Onset Capital Corporation	Securities Act of British Columbia, shall have the meaning ascribed to them in such act.
		Optic thermometer, ultra fast mini probe together with all attachments, accessories, replacements, substitutions, additions and improvements thereto and all proceeds in any form derived directly or indirectly from any sale and or dealings with the collateral and a right to an insurance payment or other payment that indemnifies or compensates for loss or damage to the collateral or proceeds of the collateral.
5. 9517466	Agilent Financial Services Ltd.	(1) Spectrum analyzer. together with all attachments, accessories, accessions, replacements, substitutions, additions and improvements thereto and all proceeds in any form derived directly or indirectly form any dealing with the collateral.
6. 9549731	Citicorp Vendor Finance, Ltd.	Office furniture with all attachments, accessories and proceeds thereof.
7. 9171532	CIT Financial Ltd.	All present and after acquired computers, computer accessories, computer accessions, and computer software including but not limited to computer hardware, computer monitors, computer modems, computer keyboards, computer printers, computer software, computer software manuals and computer software licences and all proceeds therefrom that are goods, accounts, notes, instruments, securities, trade-ins, chattel paper, documents of title, contract rights, rental payments, insurance payments, intangibles, and other property or obligations received when the said collateral is sold, dealt with or otherwise disposed of, or any proceeds thereof. Terms used herein, which are defined in the Personal Property Securities Act of British Columbia, shall have the meaning ascribed to them in such act.
8. 206976A	Royal Bank of Canada	Moneys or amounts that may from time to time be on deposit in the name of debtor with or owed to debtor by secured party, Royal Bank Mortgage Corporation, the Royal Trust Company or Royal Trust Corporation of Canada or any two or more of them, and in the debtor's rights in those moneys or those amounts. Proceeds: All proceeds including, without limitation, goods

Base Number	Creditor	Collateral
9. 422610A	Xerox Canada Limited	(including inventory and equipment (equipment includes, without limitation, machinery, tools, apparatus, plant, furniture, fixtures, aircraft and vehicles of whatsoever nature and kind) but excluding consumer goods), money, chattel paper, documents of title, instruments and securities.  All present and future office equipment leased on a conditional sale or similar basis or otherwise financed by the secured party whether or not manufactured by the secured party or any affiliate thereof.
10. 625500A	Citicorp Vendor Finance, Ltd.	1 – Toshiba Satellite Pro 6100, 1 – Toshiba Protégé 4100, 1 – HP Laser Jet 5100TN, 1 – HP Laser Jet 4100N with all attachments, accessories and proceeds thereof.
11. 648371A	National Leasing Group Inc.	All computer systems, software, upgrades of every nature or kind described in Lease Number 2182501, between Easylease Corp., as original lessor and the debtor as lessee, which lease was assigned by the original lessor to the secured party, as amended from time to time, together with all attachments, accessories and substitutions.