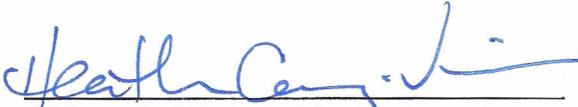


This is exhibit "B" referred to in the Affidavit of Howard Elliott sworn before me on March 13, 2013 at the City of Ann Arbor, Michigan.



A Notary Public in and for the State of
Michigan, United States of America

HEATHER CONWAY-VISSER
NOTARY PUBLIC, STATE OF MI
COUNTY OF WASHTENAW
MY COMMISSION EXPIRES Aug 12, 2017
ACTING IN COUNTY OF *Washtenaw*



SECURED CONVERTIBLE DEBENTURE

RS TECHNOLOGIES INC.

ARTICLE 1 - PROMISE TO PAY

- 1.1 **RS TECHNOLOGIES INC.**, a corporation amalgamated under the laws of the Province of Alberta (the "**Corporation**") for value received hereby promises **WERKLUND CAPITAL CORPORATION**, an unlimited liability corporation incorporated under the laws of the Province of Nova Scotia, having its head office in the City of Calgary, in the Province of Alberta (the "**Secured Party**") that it will repay the Outstanding Principal Obligations and all interest and other amounts that may become due and owing to the Secured Party on the terms set out herein.

ARTICLE 2- DEFINITIONS AND INTERPRETATION

2.1 Definitions

As used in this Debenture, the following terms shall have the following respective meanings:

- (a) "**ABCA**" means the *Business Corporations Act* (Alberta), as amended from time to time;
- (b) "**Account Debtor**" shall have the meaning ascribed to it in Section 8.4;
- (c) "**Accounts**" shall have the meaning ascribed to it in subsection 8.1(a)(i);
- (d) "**Advance**" means an advance to the Corporation under the Loan and any reference relating to the amount of Advance shall mean the sum of the principal amount of all outstanding Advances under the Loan;
- (e) "**Advance Date**" means the Business Day on which an Advance is advanced by the Secured Party to the Corporation pursuant to the provisions of this Debenture;
- (f) "**Advance Grid**" means the table evidencing the amount and date of each Advance, as set forth in **Schedule "L"** hereto, which shall be updated upon the each Advance;
- (g) "**Advance Request**" means an irrevocable written request in the form of **Schedule "O"** hereto, to be given to the Secured Party by the Corporation in connection with an Advance pursuant to Section 3.2 hereof;
- (h) "**Affiliate**" has the meaning ascribed to it in Subsection 2(1) of the ABCA;
- (i) "**Arm's-Length**" shall have the meaning given to that term in the ITA as at the date of this Debenture;
- (j) "**Articles**" means the Articles of Amalgamation of the Corporation, as amended or restated from time to time;
- (k) "**Associate**" has the meaning ascribed to it in Subsection 1(e) of the ABCA;
- (l) "**BIA**" means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (m) "**Business Day**" means a day other than a Saturday, Sunday or statutory holiday or any day on which banks are generally not open for business in Calgary, Alberta;

- (n) "**Change of Control**" means the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction of an aggregate of 66 2/3% or more of the outstanding Common Shares of the Corporation, or securities convertible into or carrying the right to acquire Common Shares of the Corporation, with the exception of any Change of Control that may be triggered by the Secured Party;
- (o) "**Closing Date**" means the date on which the last of the conditions precedent to the first Advance of the Loan by the Secured Party to the Corporation has been completed or satisfied, which, in any event, shall be on or before July 5, 2011 unless otherwise agreed to by the Corporation and the Secured Party;
- (p) "**Collateral**" has the meaning attributed thereto in Section 8.1;
- (q) "**Commitment Letter**" means the commitment letter dated June 1, 2011 issued by the Secured Party to the Corporation, setting forth the understanding of the transactions contemplated in this Debenture;
- (r) "**Common Shares**" means the common shares in the capital of the Corporation;
- (s) "**Confidential Information**" means any and all data or information that is of value to the Corporation, and is not generally known in the industry or to competitors of the Corporation, and includes specifications, documents, correspondence, research, software, trade secrets, discoveries, ideas, know-how, designs, drawings, flow charts, data, computer programs, product information, technical information, formulae, recipes and all information concerning the operations, affairs and businesses of the Corporation, the financial affairs of the Corporation and the relations of the Corporation with its customers, employees, suppliers and service providers (including customer lists, customer information, account information, consumer markets, sales figures and marketing plans), and any such information of the Corporation, whether disclosed to the Secured Party directly, in oral, tangible or material form, or indirectly, by permitting the Secured Party to observe the conduct of the Corporation's business, operations or processes;
- (t) "**Conversion Amount**" shall have the meaning ascribed therein in subsection 4.2(a);
- (u) "**Conversion Rate**" means, for each \$0.33 (or such value as otherwise adjusted hereunder or pursuant to the Articles) of principal outstanding under this Debenture, one (1) Common Share, subject to adjustment or the application of any anti-dilution rights as contemplated herein;
- (v) "**Date of Conversion**" shall have the meaning ascribed therein in subsection 4.2(b);
- (w) "**Debenture**" means this secured convertible debenture, as supplemented or amended by any agreement supplemental or ancillary hereto; and the expressions "Section" and "subsection" followed by a number mean and refer to the specified Section or subsection of this Debenture, respectively;
- (x) "**Debt**" of any Person means, without duplication:
 - (i) all indebtedness of such Person for or in respect of borrowed money, including liabilities and obligations with respect to letters of credit, letters of guarantee, bankers' acceptances or similar instruments issued or accepted by banks and other financial institutions for the account of such Person;
 - (ii) all indebtedness of such Person for or in respect of the deferred purchase or acquisition price of property or services in excess of 90 days, whether or not recourse is limited to the repossession and sale of any such property;

- (rr) **"Material Adverse Change"** means a change from the Closing Date which, in the reasonable opinion of the Secured Party, constitutes a material adverse change in the business or financial condition of the Corporation, including but not limited to: if there is a material adverse qualification to any of the financial statements of the Corporation by its auditors or accountants; if there is an adverse misstatement of the financial statements; or if there is an adverse restatement of prior years financial statements of the Corporation; which could reasonably be expected to result in the occurrence of an Event of Default;
- (ss) **"Material Contracts"** means all contracts and agreements which are material to the operation of the business of the Corporation, all of which are described in **Schedule "N"**;
- (tt) **"Maturity Date"** means the date that is 30 months from the date of the first Advance, or such earlier date as the Secured Party may permit or require the Loan to be repaid pursuant to the terms hereof;
- (uu) **"Mortgage"** means the mortgage dated March 31, 2009 in the original principal amount of \$1,403,500 granted by Resin Systems Inc., in favour of The Corporation of the Municipality of Chatham-Kent over the Real Property of the Corporation located at 22 Industrial Park Road, Tilbury, Ontario;
- (vv) **"Obligations"** shall have the meaning as described in Section 8.6 hereof;
- (ww) **"Outstanding Principal Obligations"** means, at any time, the aggregate principal amount of all Advances of the Loan, less any and all repayments of principal made to the Secured Party in accordance with this Debenture;
- (xx) **"Permitted Encumbrances"** means collectively:
- (i) liens or privileges for taxes, assessments, rates, duties, levies and governmental fees or charges not yet due or, if due, the validity of which is being diligently contested in good faith and by appropriate proceedings;
 - (ii) liens arising in connection with workers' compensation, unemployment insurance, pension, employment or other social benefits laws or regulations which are not yet due or delinquent or the validity of which is being contested in good faith;
 - (iii) liens arising by operation of law such as builders' liens, carriers' liens, materialmens' liens and other liens of a similar nature which relate to obligations not due or delinquent;
 - (iv) liens securing the performance of bids, tenders, leases and other obligations of like nature incurred in the ordinary course of business which singularly or in the aggregate do not have a material adverse effect on the financial condition, assets or operations of the Corporation;
 - (v) mechanics', workers', repairers' or other like possessory liens in respect of any personal property, arising in the ordinary course of business for amounts the payment of which is either not yet due or, if due, representing, in the aggregate, less than Fifty Thousand Dollars (\$50,000.00) or, if greater than such amount, the validity of which is being contested in good faith and by appropriate proceedings;
 - (vi) liens or claims filed or arising out of judgments or awards representing, in the aggregate, less than Fifty Thousand Dollars (\$50,000.00) or, if greater than such amount, with respect to which at any time an appeal or proceeding for review is being prosecuted in good faith and by appropriate proceedings;

- (iii) all obligations under any lease entered into by such Person as lessee which would be classified as a capital lease in accordance with GAAP (but excluding operating leases under IFRS and, at the option of the Corporation, any present or future leases that would have been characterized as operating leases under GAAP as in effect on December 31, 2010);
- (iv) all obligations of such Person to purchase, redeem, retract or otherwise acquire any securities issued by such Person which are by their terms or pursuant to any contract, agreement or arrangement:
 - (A) redeemable, retractable, payable or required to be purchased or otherwise retired or extinguished, or convertible into Debt of such Person in any case, prior to the Maturity Date (I) at a fixed or determinable date, (II) at the option of any holder thereof, or (II) upon the occurrence of a condition not solely within the control and discretion of such Person; or
 - (B) convertible into any other shares or units described in (i) above; and
- (v) all Debt (as hereinbefore defined) or any other debt which is directly or indirectly guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which such Person has otherwise assured a creditor against loss;

provided, however, that indebtedness incurred by the Corporation on account of the supply of goods and services in the ordinary course of business shall be excluded from the calculation of Debt of the Corporation so long as such indebtedness is paid or otherwise satisfied within 90 days;

- (y) "**Default**" means any event which with the giving of notice, the passage of time or both would constitute an Event of Default;
- (z) "**Encumbrance**" means any mortgage, charge, hypothec, pledge, security interest, encumbrance, lien or deposit arrangement or any other arrangement or condition that in substance secures the payment of any indebtedness or liability or the observance or performance of any obligation, regardless of form and whether consensual or arising from law, statutory or otherwise;
- (aa) "**Equipment**" shall have the meaning ascribed to it in subsection 8.1(a)(ii);
- (bb) "**Event of Default**" means any of the events specified in Section 9.1 hereof;
- (cc) "**Existing Convertible Securities**" means those options, warrants, or other securities convertible into or exchangeable for Common Shares of the Corporation which are issued, granted and outstanding, as applicable, as of the date of this Debenture, the details of which are listed in **Schedule "B"** hereto;
- (dd) "**Fair Market Value**" means the fair market value of the Corporation as determined pursuant to a valuation report by an independent chartered business valuator mutually agreeable to the Secured Party and the Corporation;
- (ee) "**GAAP**" means, at any time, the generally accepted accounting principles in Canada, applied on a consistent basis, and statements and interpretations (if applicable) issued by the Canadian Institute of Chartered Accountants or any successor body in effect from time to time, including IFRS;

- (ff) **"Governmental Authority"** means:
- (i) any domestic or foreign government, whether national, federal, provincial, state, territorial, municipal or local (whether administrative, legislative, executive or otherwise);
 - (ii) any agency, authority, ministry, department, regulatory body, court, central bank, bureau, board or other instrumentality having legislative, judicial, taxing, regulatory, prosecutorial or administrative powers or functions of, or pertaining to, government;
 - (iii) any court, commission, individual, arbitrator, arbitration panel or other body having adjudicative, regulatory, judicial, quasi-judicial, administrative or similar functions; and
 - (iv) any other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing;
- (gg) **"IFRS"** means the International Financial Reporting Standards applicable to the business of the Corporation, as such principals are established and revised by the International Accounting Standards Board (or any successor organization) from time to time;
- (hh) **"Intellectual Property Rights"** means all intellectual property rights in the United States of America, Canada, or abroad, including but not limited to, patents, patent applications, trademarks, trademark applications and registrations, pending trademarks, service marks, service mark applications and registrations, trade names, trade name applications and registrations, algorithms, compounds, designs, domain names, moral rights, copyrights, copyright applications and registrations, licenses, logos, corporate and partnership names and customer lists, proprietary processes, formulae, inventions, trade secrets, know-how, development tools and other proprietary rights used or owned by the Corporation pertaining to any product or service manufactured, marketed, licensed, sublicensed, used or sold by the Corporation in the conduct of its business, including but not limited to those listed in **Schedule "C"**;
- (ii) **"Interest Rate"** means the rate of 15% (fifteen percent) per annum;
- (jj) **"Inventory"** shall have the meaning ascribed to it in subsection 8.1(a)(iii);
- (kk) **"ITA"** means the *Income Tax Act* (Canada), as amended from time to time;
- (ll) **"Knowledge"** means actual knowledge;
- (mm) **"Lease"** means a lease of real or personal property under which the Corporation is now or at any time hereafter a tenant or lessee, as amended, renewed or replaced from time to time;
- (nn) **"Leased Premises"** means, at any time, all real and immovable property then leased, or in respect of which a right or licence to occupy is then held, by the Corporation;
- (oo) **"Licence"** means any licence, permit, authorization, approval or other evidence of authority issued or granted to, conferred upon, or otherwise created for, the Corporation by any Governmental Authority relating to its business or required by the Corporation to carry on its business;
- (pp) **"Loan"** means the term loan in the principal amount of six million (\$6,000,000) dollars to be extended by the Secured Party to the Corporation pursuant to this Debenture;
- (qq) **"Loan Documents"** means this Debenture, the Security, and all other documents, instruments and agreements to be executed and delivered to the Secured Party by or on behalf of or in respect of the Corporation hereunder or thereunder;

- (vii) undetermined or inchoate liens, privileges and charges arising or potentially arising under statutory provisions which have not at the time been filed or registered in accordance with applicable law or of which written notice has not been duly given in accordance with applicable law or which, although filed or registered, relate to obligations not due or delinquent;
- (viii) liens resulting from the deposits of cash or securities in connection with contracts, tenders or compensation, surety or appeal bonds or costs of litigation when required by law;
- (ix) liens given to a public utility or any municipality or governmental or other public authority when required to obtain the services of such utility or other authority in connection with the operations of the Corporation in the ordinary course of its business;
- (x) easements, rights-of-way, servitudes or other similar rights in land (including, without limitation, party wall agreements and easements, rights-of-way and servitudes for railways, sewers, drains, steam, gas and oil pipe lines, gas and water mains, electric light and power and telephone or telegraph lines or cables for television and other forms of communication, conduits, cables, wires and other incidental equipment) granted to or reserved or taken by other persons;
- (xi) the rights reserved to or vested in municipalities or governmental or other public authorities or agencies by any statutory provision or by the terms of leases, licences, franchises, grants or permits which affect any land, to terminate leases, licences, franchises, grants or permits or to require annual or other periodic payments as a condition to the continuance thereof;
- (xii) restrictive covenants affecting the uses to which any land may be put, and which do not in the aggregate materially and adversely impair or interfere with the use of the property for the purposes for which it is held;
- (xiii) reservations in any original grants from the Crown of any land or interests therein, statutory exceptions to title, and reservations of mineral rights (including coal, oil and natural gas) in any grants from the Crown or from any other predecessors in title;
- (xiv) such liens, charges and encumbrances on equipment as may be granted by the Corporation to an equipment vendor or lessor in the normal course of the Corporation's business, in connection with the purchase or lease of such Equipment, including the Specified Equipment Leases;
- (xv) Encumbrances, the continued existence of which have been consented to by the Secured Party, including the renewal, extension or refinancing of any such Encumbrance and of the Debt secured thereby upon the same property provided that such Debt and the security therefor are not increased thereby;
- (xvi) the Mortgage; and
- (xvii) Encumbrances granted as security for the Senior Lender Credit Facilities;
- (yy) "**Person**" means an individual, partnership, corporation (including a business trust), joint stock corporation, trust, unincorporated association, joint venture or other entity, or a Governmental Authority;
- (zz) "**PPSA**" means the *Personal Property Security Act* (Alberta) and all regulations thereto, as amended from time to time;

- (aaa) **"Real Property"** means any interest in real property then owned, or in respect of which any interest, right or option is then held, by the Corporation, all of such real property being legally described in **Schedule "E"** hereto;
- (bbb) **"Receiver"** shall means a receiver or receiver and manager appointed under Section 9.4;
- (ccc) **"Sale of the Corporation"** means the sale to a third party of 50% or more of the assets of the Corporation, calculated by and according to the then Fair Market Value, of the assets of the Corporation;
- (ddd) **"Securities"** shall have the meaning ascribed to it in subsection 8.1(d);
- (eee) **"Security"** means, in addition to this Debenture, all such charges, security agreements, hypothecs and assignments which the Secured Party is granted by the Corporation or any of its Subsidiaries to charge the Collateral or the assets of the Subsidiaries in each of the jurisdictions in which the Corporation or any of its Subsidiaries carries on business, as security for the Obligations of the Corporation hereunder as enumerated as "Security" in **Schedule "A"** hereto;
- (fff) **"Senior Lender Credit Facilities"** means the indebtedness of the Corporation to the Senior Lenders pursuant to the term debt, operating lines and capital leases as specified in **Schedule "F"** hereto, the aggregate of which shall not, in any event, exceed \$7,000,000 without prior written consent of the Secured Party;
- (ggg) **"Senior Lenders"** means Canadian Western Bank (and any assignee or replacement lender therefore) and such other lenders as may be approved in writing by the Secured Party from time to time as "Senior Lenders";
- (hhh) **"Series 1 Preferred Shares"** means the first series of preferred shares in the capital of the Corporation, as created by the filing of the Articles as set forth in subsection 5.1(a)(vii);
- (iii) **"Specified Equipment Leases"** means the Leases set forth in **Schedule "G"** hereto and such other Leases as may be approved in writing by the Secured Party from time to time as "Specified Equipment Leases";
- (jjj) **"Subsidiary"** means a subsidiary of the Corporation as "Subsidiary" is defined in Section 2(4) of the ABCA and includes any present and future Subsidiaries of the Corporation, including but not limited to RS Advanced Structures Inc. and Resin Systems (USA) Inc., and **"Subsidiaries"** means all of the Subsidiaries of the Corporation from time to time;
- (kkk) **"Taxes"** means any and all taxes, duties, premiums, assessments, levies and other similar charges imposed by any domestic or foreign governmental authority, agency or instrumentality, including without limitation, those levied on, or measured by, or referred to as income, gross receipt, profits, capital, transfer, land transfer, sales, goods and services, use, value added, excise, stamp, withholding, business, property, payroll, employment, health, worker's compensation, social services, education and social security taxes, all surtaxes, all custom duties and import and export taxes and all unemployment insurance, health insurance and Canada, Québec and other governmental pension plan premiums, together with all interest, penalties, fines or additions to tax imposed in respect thereof;
- (lll) **"Term"** means thirty (30) months; and
- (mmm) **"Work Order"** shall have the meaning specified in subsection 6.1(o) hereof.

2.2 Computation of Time Period

Except as otherwise expressly stated herein, in this Debenture, in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

2.3 Accounting Terms

All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

2.4 Incorporation of Schedules

The Schedules annexed hereto shall for all purposes hereof, form an integral part of this Debenture.

2.5 Singular, Plural

As used herein, each gender shall include all genders, and the singular shall include the plural and the plural the singular as the context shall require.

2.6 Conflict

In the event of a conflict between the provisions of this Debenture and the provisions of any of the other Loan Documents, the provisions of this Debenture shall prevail.

2.7 Currency

Unless otherwise expressly stated, any reference herein to any sum of money herein shall be construed as a reference to lawful money of Canada.

2.8 Time

Unless otherwise expressly stated, any reference herein to time shall be construed as a reference to local time in Calgary, Alberta.

2.9 PPSA Definitions

Unless a different meaning is assigned in this Debenture, the following terms have the meanings assigned in the PPSA: accessions, accounts, chattel paper, consumer goods, documents of title, equipment, goods, instruments, intangibles, inventory, investment property, money, proceeds and security.

2.10 Schedules

The following are the Schedules annexed hereto and incorporated by reference to be part hereof:

Schedule "A"	-	List of Security Documents
Schedule "B"	-	Authorized and Issued Shares of Corporation and Subsidiaries
Schedule "C"	-	Intellectual Property
Schedule "D"	-	Location of Collateral
Schedule "E"	-	Legal Descriptions and Municipal Addresses of Real Property and Leased Property
Schedule "F"	-	Senior Lender Credit Facilities
Schedule "G"	-	Specified Equipment Leases
Schedule "H"	-	Specific Collateral and Serial Numbered Goods
Schedule "I"	-	Affiliates and Subsidiaries
Schedule "J"	-	Employment Proceedings

Schedule "K"	-	Litigation
Schedule "L"	-	Advance Grid
Schedule "M"	-	Notice of Conversion
Schedule "N"	-	Material Contracts
Schedule "O"	-	Advance Request
Schedule "P"	-	Initial Cash Flow Budget

ARTICLE 3 - THE LOAN

3.1 The Loan

Subject to the fulfillment of each of the conditions precedent set out in Section 5.1 hereof, the Secured Party has agreed to extend to the Corporation a term loan in the aggregate principal amount of six million dollars (\$6,000,000). The Loan is to be advanced to the Corporation in a series of advances as determined by the Secured Party. Net proceeds of the Loan, after deducting issue expenses, will be used by the Corporation to fund the Corporation's ongoing operations and the permitted use of each Advance may be specified by the Secured Party at the time such Advance is made.

3.2 Advances

Subject to the satisfaction of the conditions precedent in Article 5, the first Advance will be made on the Closing Date and until December 31, 2011, subsequent Advances will be made on a monthly basis on the first Business Day of the month in such amounts as agreed to between the parties and will be used for the purposes set forth in the initial projected cash flow budget set forth in **Schedule "P"**. Thereafter if the parties have not agreed on a written schedule of Advances, the following shall be the procedure when an Advance is being requested by the Corporation:

- (a) the Corporation shall deliver an Advance Request to the Secured Party specifying (subject to the restrictions set out below) the amount of the Advance being requested, the proposed date of advance and the anticipated use of funds;
- (b) each Advance shall be in whole multiples of One Hundred Thousand (\$100,000) Dollars, and Advances will be made no more frequently than once each month, unless otherwise agreed to by the Secured Party;
- (c) within three (3) Business Days of receipt of an Advance Request, the Secured Party shall advise the Corporation of whether it has approved the Advance and if so, any terms or conditions attached to such Advance, and shall advance such funds to the Corporation no later than five (5) Business Days after receipt of the Advance Request, as applicable.

Notwithstanding the above, the Secured Party shall have the right at any time to advance, and the Corporation shall be obligated to accept, any amounts not yet advanced under the Loan, in the sole discretion of the Secured Party.

3.3 Non-Revolver Nature of Loan

The Loan is a non-revolving facility and, accordingly, no amounts repaid under the Loan may be borrowed, unless in accordance with this Debenture, and the limit of the Loan will be automatically and permanently reduced by the amount of any repayment under the Loan.

3.4 Evidence of Indebtedness

The indebtedness of the Corporation to the Secured Party in respect of the Loan under each Advance will be evidenced by the entry of the amount of each Advance and the Advance Date into the Advance Grid as set forth in **Schedule "L"** hereto.

3.5 Repayment of Loan

(a) Principal

Subject to the provisions of this Debenture, the Outstanding Principal Obligations under the Loan shall be repaid to the Secured Party in full on the Maturity Date. The Corporation shall not have any right to prepay any amounts under this Debenture.

In addition, all fees and other amounts due and payable hereunder shall be repaid to the Secured Party by the Corporation on the Maturity Date.

(b) Interest

No interest shall accrue or be payable on the Loan under the terms of this Debenture until such time as there is an occurrence and continuance of an Event of Default hereunder, upon which the Corporation shall pay to the Secured Party interest on the then Outstanding Principal Obligations from and after the occurrence of such Event of Default and during its continuance at the Interest Rate, calculated and compounded monthly based on the Outstanding Principal Obligations, payable on demand.

3.6 Payments by the Corporation

Any payment by the Corporation on account of any amount due and payable by it hereunder, whether on account of principal, interest, fees, costs and expenses or otherwise, shall be made by the Corporation to the Secured Party and no such payment by the Corporation shall be effective until such time as it is received by the Secured Party. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be, payable on such date. All payments to be made by the Corporation to the Secured Party shall be in immediately available funds and received by the Secured Party no later than 1:00 p.m. on the date of payment in order to obtain same day credit. Any such payment so received after such time on such date shall be deemed to have been paid on, and shall be credited on the next following Business Day. Any interest on any portion of the Loan which is not paid when due shall bear interest as if such unpaid interest was an unpaid principal amount under the Loan. All payments received by the Secured Party shall be applied by the Secured Party to pay, in reverse order of maturity, as applicable, all interest on overdue interest, all interest payments due and owing, and the Outstanding Principal Obligations, in that order.

3.7 Advance of Loan

The Corporation agrees that neither the execution nor registration of any of the Security nor the advancing in part of the Loan shall bind the Secured Party to advance the Loan or any un-advanced portion thereof and the advance of the Loan or any part thereof shall be in the sole discretion of the Secured Party.

3.8 Interest and Loan Charges Not to Exceed Maximum Allowed by Law

Notwithstanding any other provision of this Debenture or any of the Loan Documents, in no event shall the aggregate "interest" (as that term is defined in Section 347 of the *Criminal Code* (Canada)) received by or payable to the Secured Party in connection with the transactions contemplated in the Debenture or the Loan Documents exceed the effective annual rate of interest on the "credit advanced" (as defined therein) lawfully permitted under that section. The effective annual rate of interest shall be determined in accordance with generally accepted accounting practices and principles over the term that the principal amount of the Loan is outstanding and in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuary appointed by the Secured Party will be conclusive for the purposes of such determination. The parties do not intend that the aggregate interest payable in connection with the transactions contemplated under the Loan Documents will exceed such lawfully permitted rate or amount. Notwithstanding anything to the contrary herein contained, if the aggregate interest payable hereunder exceeds such lawfully permitted rate or amount, the rate and the amount of interest on the principal hereof shall be

the maximum rate and amount permitted by law. If the aggregate interest paid or payable to the Secured Party in connection with the transactions contemplated in the Loan Documents would, if paid to the Secured Party in the manner contemplated hereby and thereby, exceed the lawfully permitted rate or amount, then the Secured Party shall be entitled to defer the timing of receipt or vary the manner of payment of any interest or amounts paid or payable to the Secured Party in connection with the transactions contemplated hereunder or thereunder, or to otherwise vary the terms pursuant to which such interest or any portion thereof or any other amount shall be paid to the Secured Party so that such payment will not be in violation of applicable law. If such payments, regardless of timing, are determined to be contrary to the provisions of Section 347 of the *Criminal Code* (Canada), such payment, collection or demand shall be deemed to have been made by mutual mistake of the Corporation and the Secured Party and the amount of such payment or collection shall be refunded to the Corporation.

ARTICLE 4 - CONVERSION OF DEBENTURE

4.1 Optional Conversion and Conversion Rate

Upon and subject to the terms and conditions set out in this Article 4 the Secured Party shall have the right at its option (exercisable at any time and from time to time) to convert all or any portion of the Outstanding Principal Obligations (on the Date of Conversion) into fully paid and non-assessable Common Shares, at the Conversion Rate, subject to adjustment as provided in Section 4.3.

4.2 Manner of Exercise of Right to Convert

- (a) If the Secured Party wishes to convert all or any portion of the Outstanding Principal Obligations and any accrued interest into Common Shares pursuant to subsection 4.1, the Secured Party shall surrender this Debenture to the Corporation at its principal office in the City of Calgary, Alberta (or to a transfer agent of the Corporation as directed by the Corporation), together with a written notice of conversion, substantially in the form attached hereto as **Schedule "M"**, duly executed by the Secured Party, specifying the amount of principal and interest to be converted (the "**Conversion Amount**"). Upon delivery of such materials to the Corporation or transfer agent, the Secured Party shall be entitled to be entered on the books of the Corporation (as of the Date of Conversion) as the holder of the number of Common Shares into which the Conversion Amount and/or any accrued interest is converted and, as soon as practicable thereafter, the Corporation shall deliver to the Secured Party, a certificate or certificates for such Common Shares.
- (b) For the purposes of this Article 4, this Debenture shall be deemed to be surrendered for conversion by the Secured Party on the date (herein called the "**Date of Conversion**") on which it (and the notice contemplated by subsection 4.2(a) above) is date it is delivered to the Corporation by the Secured Party.
- (c) Upon surrender to the Corporation or any transfer agent of this Debenture, where the Outstanding Principal Obligations and any accrued interest of this Debenture is to be converted in part only, the Secured Party shall be entitled to receive, without expense to such Secured Party, a new Debenture for the unconverted portion of the Outstanding Principal Obligations and any accrued interest of this Debenture so surrendered.

4.3 Adjustment of Conversion Rate

- (a) If, and whenever at any time and from time to time the Corporation shall: (i) subdivide, redivide or change its then outstanding Common Shares into a greater number of Common Shares; (ii) reduce, combine, consolidate or change its then outstanding Common Shares into a lesser number of Common Shares; or (iii) issue Common Shares (or securities exchangeable or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of stock dividend or other distribution (any of such events being herein called a "**Share Reorganization**"), and the rights of conversion provided hereunder have not been exercised in their entirety prior to the effective date or record date for such Share Reorganization, then the

Secured Party shall be entitled to receive and shall accept, upon any conversion of the Outstanding Principal Obligations and any accrued interest after the effective date or record date for such Share Reorganization, in lieu of the number of Common Shares to which it was theretofore entitled upon conversion, the aggregate number of Common Shares or other securities of the Corporation (or of the corporation or body corporate resulting, surviving or continuing from the Share Reorganization) that the Secured Party would have been entitled to receive as a result of such Share Reorganization if, on the effective date or record date thereof, it had been the registered holder of the number of Common Shares to which it was theretofore entitled upon the conversion of the Outstanding Principal Obligations and any accrued interest.

- (b) If, and whenever there is a capital reorganization of the Corporation not provided for in subsection 4.3(a) or a consolidation, merger, arrangement or amalgamation (statutory or otherwise) of the Corporation with or into another body corporate (any such event being called a "**Capital Reorganization**"), and the rights of conversion provided hereunder have not been exercised in their entirety prior to the effective date or record date for such Capital Reorganization, then the Secured Party shall be entitled to receive and shall accept, upon any conversion of the Outstanding Principal Obligations and any accrued interest after the effective date or record date for such Capital Reorganization, in lieu of the number of Common Shares to which it was theretofore entitled upon conversion, the aggregate number of Common Shares or other securities of the Corporation (or of the corporation or body corporate resulting, surviving or continuing from the Capital Reorganization) that the Secured Party would have been entitled to receive as a result of such Capital Reorganization if, on the effective date or record date thereof, it had been the registered holder of the number of Common Shares to which it was theretofore entitled upon the conversion of the Outstanding Principal Obligations and any accrued interest.
- (c) In case the Corporation shall take any other action affecting the Common Shares which would materially affect the rights of the Secured Party hereunder, the number of Common Shares issuable upon conversion shall be adjusted, in consultation with the Secured Party.
- (d) The adjustments provided for in this section 4.3 are cumulative and shall be made successively whenever an event referred to herein shall occur.

4.4 Exchange of Debenture

- (a) Subject to the rights of the Secured Party pursuant to Sections 4.6 and 4.7, if and whenever there is a merger, arrangement or amalgamation (statutory or otherwise) of the Corporation with or into another body corporate (any such event being called a "**Reorganization**"), and the rights of conversion provided hereunder have not been exercised in their entirety prior to the effective date or record date for such Reorganization and if the Secured Party has not exercised its rights under Section 4.6 or 4.7 then the Secured Party shall exchange this Debenture for a post-Reorganization Debenture with substantially the same form and terms and the same Maturity Date as this Debenture.
- (b) If a successor corporation shall consolidate or merge with or convey all or substantially all of its or any of its successor corporation's property and assets to any other entity, the Secured Party shall thereafter have the right to convert this Debenture into (upon the basis and on the terms and conditions and during the times specified in this Debenture), upon the exercise of conversion rights under this Debenture, such shares, securities or assets as may be issued or payable with respect to, or in exchange for, the number of Common Shares into which this Debenture was previously convertible, had such recapitalization, consolidation, merger or conveyance not taken place; and in any such event, the rights of the Secured Party of this Debenture to an adjustment in the number of Common Shares into which this Debenture is convertible as herein provided, shall continue and be preserved in respect of any shares, securities or assets which the Secured Party becomes entitled to purchase.

- (c) If at any time prior to conversion of this Debenture, the Corporation shall sell all or substantially all of its property or assets, or dissolve, liquidate or wind-up its affairs and if the Secured Party elects not to exercise its rights under Section 4.7, the Secured Party may thereafter receive upon exercise of its conversion rights hereunder, in lieu of each Common Share which it would have been entitled to receive, the same kind and amount of any securities or assets as may be issuable, distributable or payable upon any such sale, dissolution, liquidation, or winding-up with respect to each Common Share.

4.5 No Requirement to Issue Fractional Shares

The Corporation shall not be required to issue fractional Common Shares upon the conversion of the Outstanding Principal Obligations and any accrued interest into Common Shares or the payment of interest through the issuance of Common Shares pursuant to Article 4 hereof. If any fractional interest in a Common Share would otherwise be deliverable upon the conversion of the Outstanding Principal Obligations and any accrued interest or interest, if applicable, then the number of Common Shares to be issued shall be rounded down to the next whole number, and any balance shall be paid to the Secured Party in cash, provided that the Corporation will not be required to make any cash payment calculated as aforesaid, that is less than \$10.00.

4.6 Secured Party's Option to Receive Additional Securities – Anti Dilution Rights

- (a) If, at any time or times, whether the Outstanding Principal Obligations have been converted or not, the Corporation (i) issues new Common Shares to any third party (other than in accordance with subsection 4.6(b)) or (ii) issues Common Shares to the holders of Series 1 Preferred Shares pursuant to the terms of the Articles; (in either case an "**Additional Common Share Issuance**"), the Secured Party shall have and the Corporation hereby grants the Secured Party the right, at its option, to acquire (the "**Additional Share Option**"), at a price equal to (x) the price such Common Shares are being issued to such third party; or (y) the deemed price or dollar value of such Common Shares being issued to holders of Series 1 Preferred Shares, as applicable, (the "**Additional Shares Exercise Price**") such additional number of Common Shares (the "**Additional Shares**") as would permit the Secured Party to maintain ownership of not less than 50.1% of the total issued and outstanding Common Shares in the capital of the Corporation, assuming conversion of the Outstanding Principal Obligations into Common Shares. In such case, the Corporation shall provide to the Secured Party immediate written notice (the "**Additional Share Option Notice**") of any Additional Common Share Issuance, which notice shall specify the number of shares to be issued pursuant to the Additional Common Share Issuance and the price or value of such shares, as applicable, and setting forth in detail the calculation of the number of Additional Shares that would be issued to the Secured Party if it elects to acquire them. The Secured Party shall have thirty (30) days from the date it receives the Additional Share Option Notice to advise the Corporation in writing (in each case an "**Additional Share Exercise Notice**") whether it intends to exercise the Additional Share Option in relation to any or all of the Additional Shares, with any Additional Share Exercise Notice being accompanied by delivery of a certified cheque or bank draft for the aggregate Additional Share Exercise Price of any Additional Shares being acquired. Within five (5) days of receipt of an Additional Share Exercise Notice and the aggregate Additional Share Exercise Price, the Corporation shall deliver or cause to be delivered to the Secured Party, share certificates representing the Additional Shares being acquired.
- (b) If, at any time or times, whether the Outstanding Principal Obligations have been converted or not, all or any portion of the Existing Convertible Securities are exercised (in each case the "**Exercised Options**"), the Secured Party shall have and the Corporation hereby grants the Secured Party the right, at its option, to acquire (in each case the "**Secured Party Option**"), at a price of 50% of the exercise price of the Exercised Options (the "**Secured Party Exercise Price**"), such additional number of Common Shares (in each case the "**Option Shares**") as would permit the Secured Party to maintain not less than 50.1% of the total issued and outstanding Common Shares in the Corporation, assuming conversion of the Outstanding Principal Obligations into Common Shares. In such case, the Corporation shall provide to the Secured Party immediate written notice (the

"**Option Notice**") of any Exercised Options, which notice shall specify the number of Exercised Options and the exercise price as well as confirming the Secured Party Exercise Price and setting forth in detail the calculation of the number of Option Shares that could be issued to the Secured Party if it elects to acquire them. The Secured Party shall have thirty (30) days from the date it receives the Option Notice to advise the Corporation in writing (in each case an "**Exercise Notice**") whether it intends to exercise the Secured Party Option in relation to any or all of the Option Shares, with any Exercise Notice being accompanied by delivery of a certified cheque or bank draft for the aggregate Secured Party Exercise Price of any Option Shares being acquired. Within five (5) days of receipt of an Exercise Notice and the aggregate Secured Party Exercise Price, the Corporation shall deliver or cause to be delivered to the Secured Party, share certificates representing the Option Shares being acquired.

Until such time as such rights expire as provided for below, the failure of the Secured Party to exercise the options and rights granted in this Section 4.6 at any time shall not affect its right to exercise such option at any future time. The provisions set forth above in this Section 4.6 shall survive the repayment of the Obligations and the conversion of the Outstanding Principal Obligations in full, as provided for in this Debenture, for a period of 90 days after the all of the Existing Convertible Options have been exercised.

4.7 **Purchase of Debenture Upon Change of Control or Sale of the Corporation**

In the event that there is to be a Change of Control or Sale of the Corporation (the "**Triggering Event**"), and subject to the provisions and conditions of this Section 4.7, the Corporation shall advise the Secured Party in writing a minimum of thirty (30) days prior to the anticipated Triggering Event (or if not known at such time, as soon as the Corporation becomes aware of the anticipated Triggering Event) and specifying the circumstances and material terms of such event (a "**Triggering Event Notice**") and the Corporation shall, at the option of the Secured Party, be obligated to purchase the Debenture at a price equal to 120% of the Outstanding Principal Obligations at such time, plus any accrued and unpaid interest payable thereon (the "**Offer Price**"). The Triggering Event Notice shall be accompanied by an offer in writing (the "**Offer**") from the Corporation to purchase the Outstanding Principal Obligations at the Offer Price, such Offer to expire 30 days from the receipt of such Offer by the Secured Party (the "**Expiry Date**").

If the Secured Party accepts the Offer, it shall deliver written notice of acceptance (an "**Acceptance Notice**") to the Corporation on or prior to the Expiry Date and within ten (10) days of receipt of an Acceptance Notice, the Corporation shall pay or cause to be paid to the Secured Party, the Offer Price, in the same manner and with the same effect as if it were the Maturity Date, and from and after such Expiry Date, any interest payable on the Debenture shall cease.

Subject to the provisions above, if the Debenture is purchased and paid for by the Corporation under this Section 4.7, the Secured Party shall forthwith deliver the Debenture to the Corporation for cancellation thereof and the Debenture shall have no further force and effect, save and except for those rights and interests granted under Section 4.6, which shall continue in accordance with the terms set out therein.

4.8 **Certificate of Adjustment**

Whenever there is an adjustment or readjustment of the Conversion Price pursuant to this Article 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to the Secured Party a certificate executed by two senior officers of the Corporation setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of the Secured Party, furnish or cause to be furnished to the Secured Party, a like certificate setting forth (i) such adjustments and readjustments, (ii) the applicable Conversion Rate at the time in effect, and (iii) the number of Common Shares and the amount, if any, of other property which at the time would be received upon the conversion of the Debenture.

4.9 Reservation of Common Shares

The Corporation shall at all times while this Debenture is outstanding, reserve and keep available out of its authorized but unissued Common Shares, solely for the purpose of effecting the conversion of this Debenture, such number of its Common Shares as shall from time to time be sufficient to effect the conversion of the Outstanding Principal Obligations and any interest owing hereunder. If at any time the number of authorized but unissued Common Shares is not sufficient to effect the conversion of all the Outstanding Principal Obligations and any interest owing hereunder, the Corporation shall take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Common Shares to such number of shares as shall be sufficient for such purpose, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to the Articles.

4.10 Securities Restrictions

Notwithstanding anything herein contained, Common Shares will only be issued pursuant to this Debenture in compliance with the securities laws of any applicable jurisdiction, and without limiting the generality of the foregoing, the certificates representing the Common Shares thereby issued will bear such legend as may, in the opinion of counsel to the Corporation, be necessary in order to avoid a violation of any applicable securities laws of any province in Canada or of the United States or to comply with the requirements of any stock exchange (if any) on which the Common Shares are listed, provided that if, at any time, in the opinion of counsel to the Corporation, such legends are no longer necessary in order to avoid a violation of any such laws, or the holder of any such legended certificate, at the holder's expense, provides the Corporation with evidence satisfactory in form and substance to the Corporation (which may include an opinion of counsel satisfactory to the Corporation) to the effect that such holder is entitled to sell or otherwise transfer such Common Shares in a transaction in which such legends are not required, such legended certificate may thereafter be surrendered to the Corporation in exchange for a certificate which does not bear such legend.

ARTICLE 5 - CONDITIONS PRECEDENT

5.1 Conditions Precedent to the First Advance

The obligation of the Secured Party to make the first Advance of the Loan is conditional upon the satisfaction of each of the following conditions precedent on or before the Closing Date, which shall be for the sole benefit of the Secured Party, any of which may be waived in the Secured Party's sole discretion:

- (a) on or before the Closing Date, the Secured Party shall have received the following, in form and substance and dated as of a date satisfactory to it and its counsel:
 - (i) an officer's certificate issued by a senior officer of the Corporation relating to the Corporation, and, *inter alia*, incumbency of officers, articles and by-laws and attaching a certified copy of a resolution of the board of directors of the Corporation, authorizing the execution and delivery of each of the Loan Documents to which the Corporation is a party and the performance by the Corporation of its obligations hereunder and thereunder;
 - (ii) duly executed copies of each of the Loan Documents to the satisfaction of the Secured Party in form and substance for registration, as may be applicable;
 - (iii) opinions of counsel for the Corporation which opinions shall include, but not be limited to, provisions opining that the Corporation exists and has the corporate capacity to execute and deliver the Loan Documents to which it is a party; and that all such Loan Documents have been validly authorized, executed and delivered by the Corporation;
 - (iv) evidence of insurance in form satisfactory to the Secured Party, showing the Secured Party as loss payee thereunder;

- (v) releases, discharges and postponements (in registerable form where appropriate) covering all Encumbrances affecting the Collateral encumbered by the Security which are not Permitted Encumbrances, if any, or undertakings satisfactory to the Secured Party to provide such releases, discharges and postponements;
 - (vi) a certificate as to the legal existence and good standing and status of the Corporation, issued by the appropriate public official in the jurisdiction in which such entity is incorporated or extra-provincially registered;
 - (vii) evidence that the Corporation's Articles creating Series 1 Preferred Shares on substantially the same terms as provided in Schedule "A" of the Commitment Letter have been filed with the Registrar of corporations for the Province of Alberta;
 - (viii) evidence of the final approval from the NEX Board of the TSX Venture Exchange approving the de-listing of the Common Shares from the NEX Board of the TSX Venture Exchange and evidence of the de-listing of the Common Shares pursuant to such approval;
 - (ix) satisfactory evidence of the conversion of the (i) aggregate \$1,820,000 principal amount of loans granted to certain unsecured parties into Common Shares; and (ii) \$6,666,480 loan granted to secured note-holders into Series 1 Preferred Shares;
 - (x) copies of consents, waivers and approvals, in forms satisfactory to the Secured Party, from other Canadian Western Bank, and any other third parties and regulatory authorities, as the Secured Party deems necessary, in connection with the Loan Documents;
 - (xi) satisfactory evidence of directors and officers insurance held by the Corporation in a minimum amount of \$20,000,000; and
 - (xii) employment extension agreements with each of Joel Tennison, Paul Giannelia and Howard Elliott in forms satisfactory to the Secured Party;
 - (xiii) such other certificates and documentation relating to the Corporation or its respective properties and assets as the Secured Party or its legal counsel may reasonably require if necessary to more fully record or evidence the obligations herein;
- (b) completion, to the Secured Party's satisfaction, of all due diligence matters related to the Corporation and its business and operations;
 - (c) the board of directors of the Corporation shall be comprised of six directors, three of which, including the Chairman, shall be nominees of the Secured Party, each of which shall hold positions on the Corporation's Audit Committee, Corporate Governance Committee, Nominating Committee and Compensation Committee, as applicable, and the remaining three directors shall be Brian Felesky, James Gray and Paul Giannelia;
 - (d) all financing statements under the applicable personal property security legislation in each relevant province, territory or jurisdiction shall have been filed as are necessary to perfect in such jurisdictions the security interests created by the Security and all registrations in respect of the Security shall have been made against all Real Property of the Corporation;
 - (e) the representations and warranties contained in Section 6.1 hereof shall be true and correct on and as of the date thereof; and
 - (f) no Default or Event of Default shall have occurred and be continuing.

5.2 Conditions Precedent to Subsequent Advances

The obligation of the Secured Party to make any subsequent Advances of the Loan is conditional upon the satisfaction of each of the following conditions precedent, which shall be for the sole benefit of the Secured Party, any of which may be waived in the Secured Party's sole discretion:

- (a) the Secured Party shall have received a timely Advance Request as required under Section 3.2;
- (b) nothing shall have occurred which would be considered to be a Material Adverse Change relating to the Corporation;
- (c) the representations and warranties contained in Section 6.1 hereof shall be true and correct on and as of the Advance Date; and
- (d) no Default or Event of Default shall have occurred and be continuing.

ARTICLE 6- REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties by the Corporation

The Corporation represents and warrants to the Secured Party, and acknowledges that the Secured Party is relying thereon in entering into this Debenture and extending the Loan, that as of the date of this Debenture:

(a) **Organization and Qualification**

The Corporation is a corporation amalgamated and validly existing under the laws of the Province of Alberta. The Corporation is duly qualified to carry on its business under the laws applicable to it in each jurisdiction where it carries on business or where the nature of its business or properties owned or leased by it make such qualification necessary.

(b) **Affiliates and Subsidiaries**

The Subsidiaries of the Corporation are described in **Schedule "I"** and each Subsidiary is duly incorporated and organized and validly existing under the laws of its jurisdiction of incorporation as specified in **Schedule "I"**. As of the Closing Date, **Schedule "I"** sets out a complete list of each corporation, partnership, joint venture or other business or organization in which the Corporation owns, directly or indirectly, any shares or other equity interests, or with respect to which the Corporation or any Affiliate, alone or in combination with others, is in a controlling position. As of the date of this Debenture, none of the Subsidiaries are material to the business or operations of the Corporation and none of the Subsidiaries carry on business or operations or own any material assets or are parties to any Material Contracts.

(c) **Share Capital**

The issued and outstanding share capital and any Existing Convertible Securities of the Corporation and the Subsidiaries is detailed accurately in **Schedule "B"**, and there exist no other rights, options or entitlements of any Person to acquire any shares, warrants, options or other rights in the capital stock of the Corporation. All shareholders known to the Corporation owning, directly or indirectly, more than 10% of the issued and outstanding shares the Corporation are listed in **Schedule "B"** hereto. As of the date hereof, the Corporation is not subject to any obligation (contingent or otherwise) to repurchase, redeem, retire or otherwise acquire any of its issued securities or any warrants, options or other rights to acquire its securities, except as set forth in **Schedule "B"** hereto. As of the date hereof, all of the outstanding shares of the Corporation and the Subsidiaries are validly issued, fully paid and non-assessable. Except as set forth in **Schedule "B"**, there are no statutory or contractual pre-emptive rights, rights of first refusal, anti-dilution

rights or any similar rights held by shareholders or option holders of the Corporation. The Corporation has not violated any applicable securities laws in connection with the offer, sale or issuance of any of its securities. There is no shareholders' agreement respecting the shares of the Corporation or any other agreement, resolution or other writing which in any way limits or restricts the powers of the directors of the Corporation. There is no agreement, option, understanding or commitment, or any right or privilege capable of becoming an agreement, for the purchase from the Corporation of any of its shares or assets, except as set forth in **Schedule "B"**.

(d) Corporate Power

The Corporation has full corporate right, power and authority to enter into and perform its obligations under each of the Loan Documents and has full corporate power and authority to own and operate the Collateral and to carry on its business as now conducted and as presently proposed to be conducted.

(e) Conflict with Other Instruments

The performance by the Corporation of its obligations under the Loan Documents and compliance with the provisions thereof and hereof do not and will not:

- (i) conflict with or result in a breach of any of the terms, conditions or provisions of:
 - (A) its charter documents or by-laws;
 - (B) to the Knowledge of the Corporation, any law, rule or regulation having the force of law applicable to it or to any of the Collateral;
 - (C) subject to the terms of the Senior Lender Credit Facilities and the Mortgage, any contractual restriction binding on or affecting it or any of the Collateral, the breach of which could reasonably be expected to have a material adverse effect upon its business, assets or financial condition; or
 - (D) any writ, judgment, injunction, determination or award which is binding on it or any of the Collateral; or
- (ii) result in, require or permit:
 - (A) the imposition of any Encumbrance in or with respect to any of the Collateral, other than in favour of the Secured Party under the Loan Documents; or
 - (B) the acceleration of the maturity of any Debt of the Corporation under any contractual provision binding on or affecting the Corporation or the Collateral.

(f) Authorization, Governmental Approvals

The execution and delivery of each of the Loan Documents by the Corporation and the performance by the Corporation of its obligations hereunder and thereunder has been duly authorized by all necessary corporate action and no consent, approval, order, authorization, licence, exemption or designation of or by any Governmental Authority is required in connection with the execution, delivery and performance by the Corporation of any of the Loan Documents to which it is a party and no registration (other than registrations to be made by the Secured Party as may be necessary to perfect its security), qualification, designation, declaration or filing with any Governmental Authority is or was necessary to enable or empower the Corporation to enter into and to perform its obligations under the Loan Documents except such as have been made or obtained and are in full force and effect, unamended, on the Closing Date.

(g) **Due Execution and Enforceability**

All of the Loan Documents have each been duly executed and delivered by the Corporation and each constitute legal, valid and binding obligations of the Corporation, enforceable against it in accordance with their terms except as enforceability may be limited by general principles of equity, subject to bankruptcy, insolvency, arrangement and other laws generally affecting the enforceability of creditors' rights and the availability, in the discretion of a court of competent jurisdiction, of equitable remedies.

(h) **Reporting Issuer and Listing Status**

The Corporation is a "reporting issuer", or the equivalent thereof, in the provinces of British Columbia, Alberta, Ontario and Nova Scotia and is in material compliance with all securities laws of such provinces of Canada. The Common Shares are not listed on any stock exchange or market.

(i) **No Default**

The Corporation is not in violation of its articles of amendment or other applicable constating documents, as may be amended, or its by-laws. The Corporation is not in default hereunder or under any of the other Loan Documents.

(j) **Location of Properties, Place of Business**

The only jurisdictions in which the Corporation maintains any tangible personal property or from which it carries on business are as set out in **Schedule "D"** hereto. All billings for the supply of goods and services by the Corporation are made from, and require payment to be made to, the chief executive office of the Corporation. The address of the chief executive office is set forth in **Schedule "D"** hereto.

(k) **Ownership of Collateral**

The Corporation is the sole and beneficial owner of all of the Collateral (except any leased assets) and where appropriate, it is duly registered as owner thereof, with good and marketable title thereto, free and clear of all Encumbrances except for Permitted Encumbrances.

(l) **Insurance**

The Collateral is insured against loss or damage in compliance with the requirements set out in subsection 7.1(d). The Corporation has not defaulted with respect to any of the provisions contained in any such insurance policies and the Corporation has given all notices required under each of the insurance policies in a due and timely fashion. Complete copies of all insurance policies maintained by the Corporation will be provided to the Secured Party upon request. Such insurance is adequate and sufficient according to industry standards and no other insurance is required by the Corporation for the continuing conduct of their businesses, as presently conducted.

(m) **No Litigation or Actions**

- (i) except as disclosed in **Schedule "K"** hereto, to the Knowledge of the Corporation, there are no actions, suits, grievances or proceedings threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private person, which challenges the validity or propriety of the transactions contemplated under any of the Loan Documents, or any of the documents, instruments and agreements executed or delivered in connection therewith or related thereto which could be reasonably anticipated to result in a Material Adverse Change; and
- (ii) the Corporation is not in default under any material applicable statute, rule, order, decree or regulation of any Governmental Authority having jurisdiction over it or any of the Collateral;

(n) **Taxes**

The Corporation has duly and timely filed or caused to be duly and timely filed with the appropriate governmental authority, all tax returns which are required to be filed by it and all such tax returns are true, complete and correct. The Corporation has paid all Taxes, interest and penalties, if any, which have become due pursuant to such returns or pursuant to any assessment received by it and adequate provision for payment has been made for Taxes not yet due. There are no liabilities for Taxes of any nature or kind not shown as charges, accruals or reserves in accordance with GAAP on the financial statements of the Corporation for the period covered thereby and any prior periods. The Corporation has appropriate reserves in accordance with GAAP for Taxes accrued for its current taxation year and all tax instalments due in respect of the current taxation year of the Corporation have been paid. There are no actions, suits, proceedings, investigations, appeals, audits or claims in respect of any Taxes in progress, now pending or threatened against the Corporation and there are no matters relating to Taxes under discussion between the Corporation and any governmental authority. The Corporation has duly and timely withheld from any and all amounts paid or credited by it to or for the benefit of any Person, including any non-resident Person, and any of its officers, directors, employees, debt holders and shareholders, the amount of Taxes and other deductions required by any law to be withheld from such amounts and has duly and timely remitted the same to the appropriate governmental authority. The Corporation has complied in all material respects with goods and services tax, provincial sales tax and other commodity tax legislation and has made and obtained full, complete and up to date records, invoices and other documents required for the purpose of such legislation. To the Knowledge of the Corporation, no liens for Taxes have been filed against the Corporation or the Collateral.

(o) **Work Orders**

To the Knowledge of the Corporation, as of the Closing Date, there are no material outstanding work orders, deficiency notices, remedial or other similar compliance orders from any Governmental Authority (each a "**Work Order**") relating to the Real Property, the Leased Premises or the operation of the business of the Corporation or required by any Governmental Authority, nor are any material matters relating to the operation of the business of the Corporation under discussion with any such departments or authorities relating to any Work Orders.

(p) **Intellectual Property**

Schedule "C" sets forth, in respect of the Corporation, a complete description of all registered Intellectual Property Rights (including divisions, reissues, renewals and extensions) owned or otherwise used in whole or in part in, or required for the proper carrying on of, the business of the Corporation (such schedules showing, for each, the registration or application number, country, filing and expiration dates (if any), and classes; and for any unregistered trademarks, service

marks or brand names not under application for registration, the products with respect to, and countries in which they are used).

The Corporation has good and valid title to all of the registered trade-marks and domain names and patents and other intellectual property disclosed in **Schedule "C"**, free and clear of any and all Encumbrances. No other fee is required to be paid by the Corporation to any other person in respect of the use of any of the Intellectual Property except as provided in such agreements delivered to the Secured Party. The Corporation has taken commercially reasonable steps to protect its rights in the Intellectual Property in the manner and to the extent described in **Schedule "C"**. Except as indicated in **Schedule "C"**, the Corporation has, to the best of the Corporation's Knowledge, the exclusive right to use all of its Intellectual Property and has not granted any licence or other rights to any other person in respect of the Intellectual Property.

The Corporation is not knowingly infringing or alleged to be infringing on the rights of any third party with respect to any patent, trademark, trade name, copyright (or any application or registration respecting any thereof), licence, discovery, improvement, process, formula, know-how, data, plan, specification, drawing or the like and the Corporation does not know of any facts which may result in the assertion against it of a claim, threat, notice or complaint for such an infringement.

The Corporation owns, or has valid rights to use, the Intellectual Property Rights and is using its Intellectual Property in compliance with all applicable laws. To the best of the Corporation's Knowledge, all rights of the Corporation in relation to the Intellectual Property are valid and enforceable. None of the Intellectual Property Rights are the subject of any escrow agreement or arrangement except as disclosed in **Schedule "C"**.

(q) Permits

The Corporation possesses all licences, permits, approvals and consents of, and has performed all registrations required by all Official Bodies as required to properly conduct its business and to own, lease and operate the Collateral.

(r) Financial Statements

The financial statements of the Corporation, together with the report of its auditors or accountants thereon, as applicable, and any notes thereto and any audited or unaudited financial statements prepared by management as delivered to the Secured Party:

- (i) are in accordance with the books and accounts of the Corporation as at such dates;
- (ii) present fairly in all material respects the financial position of the Corporation as at such dates;
- (iii) have been prepared in accordance with GAAP or IFRS, as applicable; and
- (iv) present fairly in all material respects all of the assets and liabilities of the Corporation as at such dates, including, without limiting the generality of the foregoing, all contingent liabilities of the Corporation as at such dates and required to be disclosed in accordance with GAAP or IFRS, as applicable.

(s) Liabilities

As of the date of this Debenture, the Corporation does not have or will not have any liabilities, contingent or otherwise, including, without limitation, any product liability claims or other obligations of the type required to be disclosed in accordance with GAAP which are not fully

disclosed, reflected or provided for in the financial statements provided to the Secured Party or as otherwise disclosed herein.

(t) **Material Adverse Change**

Except as otherwise disclosed in writing by the Corporation to the Secured Party, there has been no Material Adverse Change to the Corporation or its business or the Collateral since December 31, 2010.

(u) **Compliance With Laws**

To the Knowledge of the Corporation, the Corporation has complied and is complying in all material respects with all federal, provincial and local laws, rules, regulations, notices, approvals, ordinances and orders applicable and material to its respective business, property, assets and operations.

(v) **Insolvency Proceedings**

The Corporation has not, as at the date of this Agreement:

- (i) made an assignment for the benefit of creditors;
- (ii) made a proposal for the benefit of creditors or delivered a notice of intention to do so;
- (iii) had any receiving order made against it under the provisions of the BIA (or any similar legislation);
- (iv) had a petition for a receiving order served upon it;
- (v) had any application made under the *Companies Creditor's Arrangement Act* (Canada) (or similar legislation) in respect of it; or
- (vi) otherwise relied upon, sought to take advantage of or otherwise become subject to proceedings under, any bankruptcy or insolvency or other similar legislation in force.

(w) **Certain Transactions**

The Corporation is not indebted, directly or indirectly, to any of its shareholders, officers or directors or to their respective spouses or children, in any amount whatsoever, except as disclosed in **Schedule "B"** hereto. None of said shareholders, officers or directors or any members of their immediate families, are indebted to the Corporation or have any direct or indirect ownership interest in any firm or corporation with which the Corporation has a business relationship, except as specified in **Schedule "B"** hereto or in any firm or corporation which competes with the Corporation. No shareholder, officer or director of the Corporation or any member of their immediate families, is, directly or indirectly, interested in any contract with the Corporation (or any employment or consulting agreement between any such individual and the Corporation) except as specified in **Schedule "B"**. The Corporation is not a guarantor or indemnitor of, or otherwise liable, contingently or otherwise, for any indebtedness or liabilities, actual or contingent, of any other person, firm or corporation.

(x) **Environment**

The Corporation has duly complied with, and its business, operations, assets, equipment, property, leaseholds or other facilities are in all material respects in compliance with, the provisions of all applicable federal, provincial, state, local and other environmental, health, and safety laws, codes

and ordinances, and all rules and regulations promulgated thereunder. The Corporation has been issued and will maintain all required federal, provincial, state, local and other permits, licenses, certificates and approvals relating to (1) air emissions; (2) discharges to surface water or groundwater; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, generation, storage, transportation or disposal of toxic or hazardous substances or wastes (which shall include any and all such materials listed in any applicable federal, provincial state, local or other law, code or ordinance and all rules and regulations promulgated thereunder as hazardous or potentially hazardous); or (6) other environmental, health or safety matters. The Corporation has not received notice of, or knows of, facts which might constitute any violations of any federal, state or local environmental, health or safety laws, codes or ordinances, and any rules or regulations promulgated thereunder with respect to its businesses, operations, assets, equipment, property, leaseholds, or other facilities. Except in accordance with a valid governmental permit, license, certificate or approval, there has been no emission, spill, release or discharge into or upon (1) the air; (2) soils, or any improvements located thereon; (3) surface water or groundwater; or (4) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any toxic or hazardous substances or wastes at or from the premises; and accordingly the premises of the Corporation are free of all such toxic or hazardous substances or wastes. To the Knowledge of the Corporation, there has been no complaint, order, directive, claim, citation or notice by any governmental authority or any person or entity with respect to (1) air emissions; (2) spills, releases or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the premises; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, generation, storage, transportation or disposal of toxic or hazardous substances or waste; or (6) other environmental, health or safety matters affecting the Corporation or its business, operations, assets, equipment, property, leaseholds or other facilities. The Corporation has no indebtedness, obligation or liability (absolute or contingent, matured or not matured), with respect to the storage, treatment, cleanup or disposal of any solid wastes, hazardous wastes or other toxic or hazardous substances (including without limitation any such indebtedness, obligation, or liability with respect to any current regulation, law or statute regarding such storage, treatment, cleanup or disposal).

(y) **Title to Properties**

The Corporation has good, insurable and marketable title to, or valid leasehold interests in, all its Real Property and good and marketable title to its other assets, all free and clear of all Encumbrances, other than Permitted Encumbrances.

(z) **Location of Properties**

Schedule "E" sets forth the legal descriptions and municipal addresses of all Real Property owned or leased by the Corporation (collectively, the "**Property**"). With respect to the Property:

- (i) there are no outstanding Work Orders or other requirements in respect of any such property imposed by any governmental authority;
- (ii) the uses to which all such Property have been and are being put by the Corporation are not in material breach of any applicable statute, law, regulation, by-law, covenant, restriction, plans, regulations, ordinances (including fire regulations and pollution control regulations) or any private agreement. None of the buildings, structures, improvements or appurtenances located on any such property (or any equipment therein), nor the operation or maintenance thereof, violates any material restrictive covenant or any provision of any federal, provincial or municipal law, ordinance, rule or regulation, or encroaches on any property owned by others;
- (iii) no notice has been received of any by-law change affecting any such Property or relating to any threatened or pending condemnation or expropriation thereof;

- (iv) each such Property and all buildings, structures, improvements and appurtenances situated thereon and all systems (including electrical, plumbing, drainage, heating, cooling and ventilation systems) therein and facilities and accessories and installations related thereto are in a reasonably good state of maintenance and repair which make them suitable for the purposes for which they are currently being used, and each such property is serviced by all required public utility services;
- (v) there is adequate ingress and egress to and from such property to and from the public road(s) abutting or adjacent thereto for the operation of the business of the Corporation in the ordinary course; and
- (vi) to the Knowledge of the Corporation, the buildings and structures on such Real Property have never been and are not now insulated with urea formaldehyde foam insulation.

(aa) **Real Property Leases**

The Corporation is not a party to any Lease or agreement in the nature of a lease in respect of any Real Property, whether as lessor or lessee, other than the Leases described in **Schedule "E"** relating to the Leased Premises. **Schedule "E"** sets out the parties to each of the Leases, the dates of execution and expiry dates of the Leases, any options to renew and the locations of the Leased Premises. The Corporation occupies the Leased Premises demised thereunder and has the exclusive right to occupy such Leased Premises.

Each of the Leases is in good standing and in full force and effect without amendment thereto, and the Corporation is not in default in the payment of rent or any other monetary obligations thereunder. The Corporation or any other party thereto is not in material breach or material default of any other covenants, conditions or obligations contained in the Leases and no state of facts exists which, after notice or lapse of time or both or otherwise, would result in any such breach or default. No notice has been received or issued by the Corporation in respect of any breach or default by any party to the Leases.

(bb) **Employees**

The Corporation is not a party to any collective bargaining agreement, contract or legally binding commitment to any trade union or employee organization or group in respect of or affecting employees of the Corporation. The Corporation is not currently engaged in any labour negotiation. To the Knowledge of the Corporation, the Corporation is not party to any application, complaint or other proceeding under any employment statute, other than as set forth in **Schedule "J"**. The Corporation is not engaged in any unfair labour practice and the Corporation is not aware of any pending or threatened complaint regarding any unfair labour practices other than as set forth in **Schedule "J"**. There is no strike, labour dispute, work slow down or stoppage pending or threatened against the Corporation. The Corporation has not experienced any work stoppage. To the Knowledge of the Corporation, the Corporation is not the subject of any union organization effort.

(cc) **Material Contracts and Permits**

The only Material Contracts to which the Corporation will be a party as of the Closing Date are:

- (i) all documentation with respect to this Debenture and the Loan Documents referred to herein;
- (ii) the Material Contracts listed in **Schedule "N"** hereof;

True and complete copies of all Material Contracts listed in **Schedule "N"** have been delivered to the Secured Party. Each of the Material Contracts has been validly authorized, executed and delivered by the Corporation and, to the Corporation's Knowledge, by all other parties to them, and, to the Corporation's Knowledge, constitute legal, valid and binding obligations enforceable in accordance with their terms against the Corporation and against all other parties to them. Except as disclosed in **Schedule "N"**, each of the Material Contracts is in full force and effect without amendment, and there has been no material default under any of them by the Corporation or, to the Corporation's Knowledge, by any other party.

(dd) **Corporate Records**

The corporate records and minute books of the Corporation contain minutes of all meetings of the directors and shareholders of the Corporation held since its amalgamation (all of which are complete and accurate in all material respects), and original signed copies of all resolutions and by-laws duly passed or confirmed by the directors or shareholders of the Corporation other than at a meeting. All such meetings were duly called and held. The share certificate books, register of security holders, register of transfers and register of directors and any similar corporate records of the Corporation are complete and accurate in all material respects.

(ee) **Shareholders Agreements, Pooling Agreements, Voting Trusts**

There are no shareholders' agreements, pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any of the shares of the Corporation or pursuant to which any person may have any right or claim in connection with any existing or past equity interest in the Corporation.

(ff) **Partnerships, Joint Ventures**

The Corporation is not a partner or participant in any partnership, joint venture, profit-sharing arrangement or other association of any kind, except for distribution and representation agreements entered into by the Corporation in the ordinary course of business, with any other person and is not a party to any agreement under which the Corporation agrees to carry on any part of the business or any other activity in such manner or by which the Corporation agrees to share any revenue or profit with any other person.

(gg) **Regulatory Approvals**

No regulatory approval or filing with, notice to, or waiver from any Governmental Authority is required to be obtained or made by the Corporation: (a) in connection with the execution and delivery of, and performance by the Corporation of its obligations under this Debenture; (b) to avoid the loss of any Licence; or (c) to permit the Corporation to carry on the business as currently carried on by the Corporation. There are currently no outstanding regulatory approvals or matters related to the Corporation or its business that have not been resolved and disclosed to the Secured Party.

(hh) Licenses

The Corporation possesses all Licences, permits, approvals or evidences of authority of any Governmental Authority required for the operation of the business and are held by the Corporation free and clear of any and all liens and encumbrances. The Corporation is conducting its business in accordance with all terms and conditions of the Licences and in material compliance with applicable law. All the Licences are valid and are in full force and effect, the Corporation is not in violation of any term or provision or requirement of any Licence, and no Person has threatened to revoke, amend or impose any condition in respect of, or commenced proceedings to revoke, amend or impose conditions in respect of, any Licence.

(ii) Restrictions on Doing Business

The Corporation is not a party to or bound by any agreement which would restrict or limit its right to carry on any business or activity or to solicit business from any person or in any geographical area or otherwise to conduct the business as the Corporation may determine. The Corporation has not executed and is not bound by any agreement which would impose any restriction or limitation on the right of the Corporation to carry on the business as the Corporation may determine (other than this Debenture) or which would have any material adverse effect on the condition of the business. The Corporation is not subject to any legislation or any judgment, order or requirement of any court or governmental authority which is not of general application to persons carrying on a business similar to the business.

(jj) Issuance Taxes

All taxes imposed on the Corporation in connection with the issuance, sale and delivery of this Debenture, have been or will be fully paid, and all laws imposing such taxes have been or will be fully satisfied by the Corporation.

6.2 Survival of Representations and Warranties by the Corporation

The representations and warranties herein set forth or contained in any certificates or documents delivered to the Secured Party shall survive the execution and delivery of this Debenture and the extension of the Loan until all obligations of the Corporation to the Secured Party herein have been fully satisfied. Such representations and warranties will be deemed to be repeated by the Corporation as of the date of each Advance Request and each Advance Date by the Corporation except to the extent that on or prior to such date:

- (a) the Corporation has advised the Secured Party in writing of a variation in any such representation or warranty; and
- (b) if such variation in the opinion of the Secured Party, acting reasonably, is reasonably likely to result in a Material Adverse Change, the Secured Party has approved such variation.

6.3 Representations and Warranties by the Secured Party

The Secured Party represents and warrants to the Corporation, and acknowledges that the Corporation is relying thereon in providing the Loan Documents and the obligations thereunder to the Secured Party, that as of the date of this Debenture:

(a) Organization and Qualification

The Secured Party is an unlimited liability company validly existing under the laws of the Province of Nova Scotia. The Secured Party is duly qualified to carry on its business under the laws applicable to it in each jurisdiction where it carries on business or where the nature of its business or properties owned or leased by it make such qualification necessary.

(b) Corporate Power

The Secured Party has full corporate right, power and authority to enter into and perform its obligations under this Debenture (and the other Loan Documents, if applicable) and to carry on its business as now conducted and as presently proposed to be conducted.

(c) Conflict with Other Instruments

The performance by the Secured Party of its obligations under this Debenture (and the other Loan Documents, if applicable) and compliance with the provisions thereof and hereof do not and will not conflict with or result in a breach of any of the terms, conditions or provisions of:

- (i) its charter documents or by-laws;
- (ii) to the Knowledge of the Secured Party, any law, rule or regulation having the force of law applicable to it;
- (iii) any contractual restriction binding on or affecting it, the breach of which could reasonably be expected to have a material adverse effect on the Secured Party or its business; or
- (iv) any writ, judgment, injunction, determination or award which is binding on it.

(d) Authorization, Governmental Approvals

The execution and delivery of this Debenture (and the other Loan Documents, if applicable) by the Secured Party and the performance by the Secured Party of its obligations hereunder and thereunder has been duly authorized by all necessary corporate action and no consent, approval, order, authorization, licence, exemption or designation of or by any Governmental Authority is required in connection with the execution, delivery and performance by the Secured Party of any of the Loan Documents to which it is a party and no registration (other than registrations to be made by the Secured Party as may be necessary to perfect its security), qualification, designation, declaration or filing with any Governmental Authority is or was necessary to enable or empower the Secured Party to enter into and to perform its obligations under this Debenture (and the other Loan Documents, if applicable) except such as have been made or obtained and are in full force and effect, unamended, on the Closing Date.

(e) Due Execution and Enforceability

This Debenture (and the other Loan Documents, if applicable) to which the Secured Party is a party have each been duly executed and delivered by the Secured Party and each constitute legal, valid and binding obligations of the Secured Party, enforceable against it in accordance with their terms, except as enforceability may be limited by general principles of equity, subject to bankruptcy, insolvency, arrangement and other laws generally affecting the enforceability of creditors' rights and the availability, in the discretion of a court of competent jurisdiction, of equitable remedies.

(f) Securities Law Matters

- (i) the Secured Party is an "accredited Secured Party" within the meaning of National Instrument 45-106 entitled "Prospectus and Registration Exemptions";
- (ii) the Secured Party is a resident of the Province of Alberta or otherwise subject to the securities laws of the Province of Alberta;

- (iii) it (and any beneficial purchaser for whom it is acting) acknowledges that:
- (A) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Debenture or the Common Shares issuable thereunder; and
 - (B) there is no government or other insurance covering the Debenture or the Common Shares issuable thereunder; and
 - (C) it has been offered the opportunity to ask questions and receive answers concerning the Corporation and to obtain any information the undersigned deems necessary to verify the accuracy of any information regarding the Corporation; and
 - (D) there are risks associated with the Common Shares issuable pursuant to the terms of this Debenture, which securities are a speculative investment that involves a high degree of risk of loss of the Secured Party's entire investment; and
 - (E) there are restrictions on the Secured Party's ability to resell the Common Shares issuable on conversion of the Debenture and it is the responsibility of the Secured Party to find out what those restrictions are and to comply with them before selling the Common Shares issuable on conversion of the Debenture; and
 - (F) the Secured Party is capable of assessing the proposed investment as a result of the Secured Party's financial experience or as a result of advice received from a registered person other than the Corporation or any affiliates thereof; and
 - (G) the Corporation has advised the Secured Party that the Corporation is relying on an exemption from the requirements to provide the Secured Party with a prospectus and to sell securities through a person or company registered to sell securities under the *Securities Act* (Alberta) and other applicable securities laws and, as a consequence of acquiring this Debenture pursuant to such exemption, certain protections, rights and remedies provided by the *Securities Act* (Alberta) and other applicable securities laws, including statutory rights of rescission or damages, will not be available to the Secured Party; and
 - (H) the Common Shares issuable on conversion of the Debenture shall not be resold until after the expiry of the applicable "hold" or "restricted" period attaching to such Common Shares issuable on conversion of the Debenture under applicable securities laws unless sold pursuant to an exemption under all applicable securities laws, and the certificates evidencing the Common Shares issuable on conversion of the Debenture which it shall receive will bear a legend referring to such restrictions on resale and neither the Corporation nor any transfer agent of the Corporation will register any transfers of such Common Shares issuable on conversion of the Debenture not made in compliance with such restrictions on resale; and
- (iv) it is aware that this Debenture or the Common Shares issuable hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended ("**U.S. Securities Act**") or the securities laws of any state of the United States and that this Debenture or the Common Shares issuable hereunder may not be offered or sold, directly or indirectly, in the United States without registration under the U.S. Securities Act (or compliance with requirements of an exemption from registration) and the applicable laws of all applicable states and acknowledges that the Corporation has no

present intention of filing a registration statement under the U.S. Securities Act in respect of this Debenture or the Common Shares issuable hereunder; and

- (v) this Debenture or the Common Shares issuable thereunder have not been offered to the Secured Party in the United States, and the individual making the order to purchase this Debenture and executing and delivering this Debenture on behalf of the Secured Party was not in the United States when the order was placed and this Debenture was executed and delivered; and
- (vi) it is not a U.S. Person (as defined in Regulation S under the U.S. Securities Act, which definition includes, but is not limited to, an individual resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States) and is not obtaining this Debenture on behalf of, or for the account or benefit of, a person in the United States or a U.S. Person; and
- (vii) it undertakes and agrees that it will not offer or sell the Common Shares issuable on conversion of the Debenture in the United States unless such securities are registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and further that it will not resell the Common Shares issuable on conversion of the Debenture, except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules; and
- (viii) it has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment and is able to bear the economic risk of loss of its investments or, where it is not purchasing as principal, each beneficial purchaser is able to bear the economic risk of loss of its investment; and
- (ix) it understands, acknowledges and is aware that this Debenture and/or the Common Shares issuable pursuant to the terms of this Debenture are being offered for sale only on a "private placement" basis and that the sale and delivery of this Debenture and/or the Common Shares issuable pursuant to the terms of this Debenture is conditional upon such sale being exempt from the requirements under applicable securities legislation as to the filing of a prospectus or delivery of an offering memorandum or upon the issuance of such orders, consents or approvals as may be required to permit such sale without the requirement of filing a prospectus or delivering an offering memorandum and, as a consequence: (i) it is restricted from using most of the civil remedies available under securities legislation; (ii) it may not receive information that would otherwise be required to be provided to it under securities legislation; and (iii) the Corporation is relieved from certain obligations that would otherwise apply under securities legislation; and
- (x) it has not been created solely or primarily to use exemptions from the registration and prospectus requirements under applicable securities laws and has a pre-existing purpose other than the use of such exemptions; and
- (xi) it has been independently advised as to or acknowledges that it is aware of the potential tax consequences to the Secured Party with respect to the acquisition of the Debenture, and confirms that no representation has been made to it by or on behalf of the Corporation with respect thereto; and
- (xii) the funds representing the payment for the Debenture which will be advanced by the Secured Party to the Corporation hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) (the "PCMLTFA") and the Secured Party acknowledges that the Corporation may in the future be required by law to disclose the Secured Party's name and other

information relating to this Subscription Agreement and the Secured Party's subscription hereunder, on a confidential basis, pursuant to the PCMLTFA. To the best of its knowledge: (a) none of the subscription funds to be provided by the Secured Party (i) have been or will be derived from or related to any activity that is deemed criminal under the laws of Canada, the United States of America, or any other jurisdiction, or (ii) are being tendered on behalf of a person or entity who has not been identified to the Secured Party; and (b) it shall promptly notify the Corporation if the Secured Party discovers that any of such representations ceases to be true, and to provide the Corporation with appropriate information in connection therewith; and

- (xiii) the Secured Party acknowledges that this Debenture, including the exhibits hereto (if applicable) require the Secured Party to provide certain personal information to the Corporation. Such information is being collected by the Corporation for the purposes of completing the offering, which includes, without limitation, determining the Secured Party's eligibility to obtain the Debenture under applicable securities legislation, preparing and registering certificates representing Common Shares issuable pursuant to this Debenture to be issued to the Secured Party and completing filings required by any stock exchange or securities regulatory authority. The Secured Party's personal information may be disclosed by the Corporation to: (a) stock exchanges or securities regulatory authorities; (b) the Corporation's registrar and transfer agent; (c) Canada Revenue Agency; and (d) any of the other parties involved in the offering, including legal counsel, and may be included in record books in connection with the offering. By executing this Debenture, the Secured Party is deemed to be consenting to the foregoing collection, use and disclosure of the Secured Party's personal information. The Secured Party also consents to the filing of copies or originals of any of the Secured Party's documents described herein as may be required to be filed with any stock exchange or securities regulatory authority in connection with the transactions contemplated hereby.

6.4 Survival of Representations and Warranties by the Secured Party

The representations and warranties herein set forth or contained in any certificates or documents delivered to the Corporation shall survive the execution and delivery of this Debenture and the extension of the Loan until all obligations of the Secured Party to the Corporation herein have been fully satisfied. Such representations and warranties will be deemed to be repeated by the Secured Party as of the date of each Advance Date except to the extent that on or prior to such date, the Secured Party has advised the Corporation in writing of a variation in any such representation or warranty.

ARTICLE 7- COVENANTS

7.1 Affirmative Covenants

Until the Loan has been repaid in full and all obligations of the Corporation to the Secured Party have been fully satisfied, the Corporation shall:

(a) **Carry on Business**

Carry on business and operations in accordance with good practices consistent with accepted industry standards and pursuant to all applicable agreements and regulations;

(b) **Payment of Obligations to the Secured Party**

Duly and punctually pay to the Secured Party all amounts payable by it hereunder or under any of the Loan Documents as and when the same shall become due;

(c) Payment of Taxes

Pay and discharge, before the same shall become delinquent, all Taxes, assessments and governmental charges or levies imposed upon it or upon the Collateral, income or profit and any and all governmental claims imposed upon it;

(d) Insurance

Without limiting any of the requirements of any of the other Loan Documents, the Corporation shall maintain, in amounts customary for entities engaged in comparable business activities with a reputable insurer, (i) insurance on its properties and assets and for the operation of its business against such hazards and in at least such amounts as are customary in such Corporation's business; (ii) liability insurance in at least such amounts as are customary in businesses similar to such Corporation's; and (iii) directors and officers insurance held by the Corporation in such amounts as may be required by the Secured Party; and shall provide copies of such policies to the Secured Party upon request. Such policies of insurance shall include, to the extent applicable, a provision for the Secured Party to be named as loss payee on such insurance and coverage satisfactory to the Secured Party, acting reasonably, against loss or damage to its property and assets by fire, environmental liability insurance and business interruption insurance. None of such insurance policies shall provide for co-insurance. The Corporation shall make commercially reasonable efforts to obtain an endorsement in each such policy of insurance whereby the insurers agree to give the Secured Party not less than 30 days' notice of the cancellation of any policy of insurance resulting from a payment default and 60 days' notice of cancellation for any other reason and permit the Secured Party to cure any default which may exist under any such policy of insurance. The Corporation shall renew its insurance policies prior to their expiry and will promptly furnish the Secured Party with proof of the renewal on written request. If the Corporation fails to purchase or maintain its insurance, the Secured Party may, but will not be required to, purchase insurance for the Corporation and the Corporation agrees to pay the cost of such insurance to the Secured Party on demand. Any money received by or for the benefit of the Secured Party under such policies may be applied to payment of any indebtedness of the Corporation pursuant to the Loan Documents, if such indebtedness is then due or payable, or, at the Secured Party's option, may be delivered by the Secured Party to the Corporation for the purpose of repairing or restoring the property in respect of which such proceeds were received;

(e) Preservation of Corporate Existence

Preserve and maintain its corporate existence;

(f) Board of Directors

Ensure that the board of directors of the Corporation is comprised of a minimum of six directors, with three of the directors being nominees of the Secured Party, subject in all cases to the provisions of the ABCA, one of whom shall be the Chairman, and three of the directors being Brian Felesky, James Gray and Paul Giannelia. The board of directors of the Corporation shall appoint the Secured Party's nominees to each of the Corporation's audit committee and the compensation, nominating, corporate governance, environmental, health and safety committee or otherwise in a management position of the Corporation, as may be required by the Secured Party;

(g) Compliance with Senior Lender Credit Facilities and No Replacement Financing

At all times comply with the conditions, provisions specified by the Senior Lenders from time to time and forthwith notify the Secured Party upon any default thereunder occurring. The Corporation covenants and agrees not to refinance the Senior Lender Credit Facilities without the prior written consent of the Secured Party, such consent not to be unreasonably withheld;

(h) Compliance with Laws

Comply, and cause its operations to comply, in all material respects, with all applicable laws, regulations and orders, including, without limitation, public and employee health and safety provisions, and duly observe all valid requirements of any Governmental Authority, including all laws, regulations, orders and requirements the breach of which could reasonably be expected to result in a Material Adverse Change;

(i) Disclosure and Access

Provide the Secured Party with full, complete and timely disclosure of all material matters pertaining to its business and financial condition and the Collateral and at any reasonable time or times, permit the Secured Party and its representatives access to the premises of the Corporation to inspect or to appraise the Collateral (including the books and records of the Corporation and to make extracts therefrom) of the Corporation and to discuss the affairs, finances and accounts of the Corporation with the officer appointed as (or performing the functions of) the chief financial officer thereof or any person performing a similar function, and permit such representatives to discuss the affairs, finances and accounts of the Corporation with the Secured Party and such representatives;

(j) Keeping of Books

Keep or cause to be kept proper books of record and account in which full and correct entries shall be made of all financial transactions, assets and business of the Corporation in accordance with GAAP;

(k) Maintenance of the Properties

Maintain and preserve all of the Collateral in all material respects in good repair, working order and condition (reasonable wear and tear excepted) and, from time to time, make all needed and proper repairs, renewals, replacements, additions and improvements thereto, so that the business carried on by the Corporation may be properly and advantageously conducted at all times in accordance with prudent business management;

(l) Maintenance of Security

Provide to the Secured Party all such further and additional mortgages, charges and security interests that the Secured Party may reasonably require to effectively mortgage, charge and subject to a security interest all of the present and future Collateral of the Corporation and cooperate with the Secured Party to permit the Secured Party to forthwith register, file and record the Security (or notices, financing statements or other registrations in respect thereof) in all proper offices where such registration, filing or recording may be reasonably necessary or advantageous to perfect or protect the security interest constituted by the Security and ensure that the Security granted by the Corporation to the Secured Party remain legal, valid, binding and enforceable, in accordance with its terms (subject to applicable laws affecting the rights of creditors generally and rules of equity of general application);

(m) Reporting Requirements

Furnish to the Secured Party, unless otherwise approved by the majority of the board of directors of the Corporation:

- (i) monthly, as soon as available and in any event, within thirty (30) days after the end of each month:

- (A) monthly management prepared unaudited financial statements, prepared in accordance with GAAP, containing a profit and loss statement and balance sheet including an aged accounts receivable and accounts payable listing, which shall detail the period in question versus the same period one year earlier, the year to date period versus the same period for one year earlier and the year to date versus the budget for the same period; and
- (B) a certificate of the Corporation signed on its behalf by a senior officer of the Corporation stating that as of the date of such certificate:
 - (1) to the Knowledge of such officer, the Corporation has kept, observed, performed and fulfilled each covenant, term and condition of this Debenture;
 - (2) no Event of Default has occurred and that no Material Adverse Change has occurred in its business or operations during the most recent month or, if such is not the case, describing such Event of Default or Material Adverse Change;
 - (3) all withholdings and remissions with respect to employees, GST and other taxes are current; and
 - (4) setting forth in reasonable detail the computations necessary to determine whether the Corporation is in compliance with Subsection 7.1(g). The Secured Party acknowledges that the financial covenants of the Senior Lenders shall only be tested as frequently as required pursuant to the Senior Lender Credit Facilities;
- (ii) as soon as available and in any event, no less than ninety (90) days prior to the end of each fiscal year, projected annual operating and capital budgets (projections) for the Corporation's upcoming fiscal year, consisting of income statements and statement of cash flows, prepared on a monthly basis for such next succeeding fiscal year, with the Corporation's budget assumptions and commentary for its budget projections, prepared in accordance with GAAP;
- (iii) as soon as available and in any event, within forty-five (45) days after end of each of the Corporation's fiscal quarters, a copy of the Corporation's management discussion and analysis report prepared by management of the Corporation, which shall include management's commentary on any variances to the amounts contained in the budgets provided in accordance with subsection 7.1(m)(ii) above;
- (iv) annually, as soon as available and in any event within ninety (90) days after the end of each fiscal year, annual audited consolidated financial statements for the Corporation, consisting of balance sheets, statements of income and retained earnings of the Corporation as of the close of such fiscal year and an audited consolidated statement of cash flow for the Corporation for such fiscal year, setting forth the corresponding figures of the previous fiscal year in comparative form, prepared in accordance with GAAP consistently applied and accompanied by an unqualified audit report prepared by KPMG LLP or such other accounting firm satisfactory to the Secured Party, acting reasonably, showing the financial condition of the Corporation at the close of such year and the results of its operations during such year;
- (v) promptly after becoming aware thereof, notice of:

- (A) all existing or threatened actions, suits and proceedings before any Governmental Authority which may materially adversely affect the Corporation;
- (B) any existing or threatened strike, slow-down or work stoppage affecting the Corporation which may materially adversely affect the Corporation and the steps being taken to remedy the same; and
- (C) any Work Order received by the Corporation;
- (vi) promptly upon providing documentation to any of the Senior Lenders, copies of all Senior Lender commitment letters and any amendments thereto and any and all reports and documentation provided to the Senior Lenders from time to time;
- (vii) promptly upon becoming aware thereof, any notification or documentation relating to any dispositions of securities held by the management of the Corporation or any other persons or entities that may be considered to be "insiders" according to applicable securities laws;
- (viii) promptly upon becoming aware thereof, notice of any Material Adverse Change or a material fact which has had, is having, or is expected to have, a material adverse effect on the business or financial condition of the Corporation;
- (ix) within a reasonable period of time prior to all scheduled and unscheduled board of directors' meetings, a notice setting out the time and location of such meeting as well as all relevant information respecting the business to be transacted at such board of directors' meetings; and
- (x) such other information respecting the business and financial affairs of the Corporation or the Collateral as the Secured Party may from time to time reasonably request;

(n) **Reporting Issuer**

The Corporation will use reasonable commercial efforts to maintain its status as a "reporting issuer" (or similar designated entity) not in default in all of the provinces of Canada where it is currently a reporting issuer in material compliance with all applicable laws;

(o) **Business of Subsidiaries**

Advise the Secured Party forthwith upon any of the Subsidiaries obtaining assets or property or conducting business or operations and cause any or all of its Subsidiaries, whether existing at the date of this Debenture or acquired or created in the future, to grant the Secured Party a guarantee and such security agreements, hypothecs, assignments, mortgages and charges as the Secured Party may deem necessary to secure the Corporation's obligations under this Debenture;

(p) **Notice of Default**

Advise the Secured Party forthwith upon becoming aware of the occurrence of a Default or an Event of Default hereunder and deliver to the Secured Party upon demand a certificate signed by a senior officer of the Corporation certifying the particulars of any Default or Event of Default which shall have occurred and the steps being taken to remedy the same, in form and substance satisfactory to the Secured Party, acting reasonably;

(q) **Hazardous Substances**

Indemnify and hold the Secured Party harmless from and against any and all loss, fine, penalty, liability, damages and expense, including legal fees, suffered or incurred by the Secured Party, as

a result of the disposal, storage, release or threat of release on any of the Real Property of any substance regulated under any environmental law;

(r) **Subsidiaries and Affiliates**

Directly maintain ownership of all issued and outstanding shares of all of its Subsidiaries or any shares of Affiliates currently owned by it, at all times during the Term of this Debenture;

(s) **Costs**

Within ten (10) Business Days after demand by the Secured Party, reimburse the Secured Party for any reasonable amounts paid or costs incurred by the Secured Party as a result of the exercise by the Secured Party of any of its rights under this Debenture or any Loan Document to cure any failure by the Corporation to perform or observe any of its covenants hereunder or thereunder (of which the Corporation has been notified by Secured Party and given a reasonable opportunity to cure, if required pursuant to the provisions hereof), together with interest thereon until paid in full at the Interest Rate, as may be applicable;

(t) **Employees**

Maintain in good standing (except in cases of resignation by the employee or an inability of the parties to agree on reasonable terms of renewal) all employment agreements and consulting contracts on substantially the terms and conditions specified in the employment agreements and consulting contracts;

(u) **Employee Compensation**

Provide details of remuneration of senior officers of the Corporation to the Secured Party on an annual basis and ensure that remuneration for senior officers of the Corporation is in accordance with industry standards and comparable positions in similar organizations, which remuneration shall be reviewed on an annual basis by the board of directors of the Corporation;

(v) **Environment**

Be and remain, in all material respects in compliance with the provisions of all federal, provincial, local and other environmental, health, and safety laws, codes and ordinances, and all rules and regulations issued thereunder; notify the Secured Party immediately of any notice of a hazardous discharge or environmental complaint received from any governmental agency or any other party; notify the Secured Party immediately of any hazardous discharge from or affecting any Real Property or Leased Premises; immediately contain and remove the same, in compliance with all applicable laws; promptly pay any fine or penalty assessed in connection therewith; permit the Secured Party to inspect the premises, to conduct tests thereon, and to inspect all books, correspondence, and records pertaining thereto; and at the Secured Party's request, and at the Corporation's expense, provide a report of a qualified environmental engineer, satisfactory in scope, form, and content to the Secured Party, and such other and further assurances reasonably satisfactory to the Secured Party that the condition has been corrected;

(w) Further Assurances

At its cost and expense, upon request of the Secured Party, duly execute and deliver, or cause to be duly executed and delivered, to the Secured Party all such further agreements, instruments, documents and other assurances and do and cause to be done all such further acts and things as may be necessary or proper in the Secured Party's reasonable opinion to carry out more effectually the provisions and purposes of this Debenture or the other Loan Documents to its reasonable satisfaction; and

(x) Use of Proceeds

Use the proceeds made available to it under the Loan only for the purposes specified in Section 3.1 hereof.

7.2 Negative Covenants

So long as the Corporation is indebted or liable to the Secured Party in respect of the Obligations secured by this Debenture, the Corporation shall not, without the prior written consent of the Secured Party, such consent not to be unreasonably withheld:

(a) Encumbrances and Debt

Create or suffer to exist any Encumbrance to secure any Debt or any other obligation other than any Permitted Encumbrance or create any additional Debt (other than a Debt Arising in connection with Permitted Encumbrance) except as exists at the date of this Debenture and except trade payables in the ordinary course of business;

(b) Change in Nature of Business

Make or permit any material change to be made in the nature of its business as carried on by it at the date hereof;

(c) Mergers

Enter into any transaction (whether by way of reconstruction, reorganization, arrangement, consolidation, amalgamation, merger, joint venture, transfer, sale, lease or otherwise) whereby any material part of the Collateral would become the property of any Person other than the Corporation or whereby all or any material part of the undertaking, property and assets would become the property of any Person other than the Corporation, or in the case of any amalgamation involving the Corporation, would become the property of any other person other than the Corporation by virtue of such Person's direct or indirect ownership interest in the continuing Corporation resulting therefrom;

(d) Disposal of Assets

Sell, exchange, lease, release or otherwise dispose of, any Collateral (other than Real Property) to any Person or modify the terms of any of the Leases, other than any *bona fide* sales, exchanges, leases, licenses, releases, abandonments or other dispositions or modifications by the Corporation in the ordinary course of business and for the purpose of carrying on the same which sale or disposal shall not (except for Inventory in the ordinary course of business), in any event, exceed \$50,000 annually, in the aggregate;

(e) Disposal of Real Estate

Sell, exchange, lease, assign, transfer, convey, release or otherwise dispose of, any Real Property to any Person, other than any bona fide sales or other dispositions of real property interests by the Corporation, in the ordinary course of business and for the purpose of carrying on the same, provided the proceeds of such sales or dispositions are used or allocated in a manner acceptable to the Secured Party;

(f) Security

Do or permit anything to adversely affect the ranking or validity of the Security except by incurring a Permitted Encumbrance;

(g) Change of Name

Change its name, without providing the Secured Party with prior written notice thereof and promptly taking other steps, if any, as the Secured Party may, in its discretion reasonably request to permit the Secured Party to maintain the perfection of the Security with respect to the change in name;

(h) Change of Location

Permit the location of its chief executive office to be moved to another jurisdiction without providing the Secured Party with prior written notice thereof and promptly taking other steps, if any, as the Secured Party may, in its discretion, reasonably request to permit the Secured Party to maintain the perfection of the Security with respect to the change in location;

(i) Guarantees

Guarantee, endorse or otherwise become surety for or upon the obligations of any Person except as required to grant security to the Senior Lenders or to the Secured Party under the terms of this Debenture;

(j) Affiliates, Associates and Subsidiaries

Form or enter into a joint venture outside of contracts entered into in the normal course of business, create any Affiliate, Associate or Subsidiary;

(k) Licenses and Agreements

Grant any leases, licenses or other agreements to any other party other than in the ordinary course of business and on commercially reasonable terms;

(l) Employee Compensation

Materially increase compensation paid to senior management of the Corporation;

(m) Share Capital and Dividends

Except as otherwise permitted pursuant to the terms of the Debenture or in the Articles, issue any securities, redeem or repurchase any of its securities, declare or pay any dividends on or make any other payment or distribution in respect of any of its securities, make any change in its issued or authorized capital whether by way of redemption or otherwise, or otherwise alter its capital structure. Notwithstanding the foregoing, the Corporation may issue securities pursuant to the

exercise or redemption provisions of previously issued warrants, stock options and preferred shares.

(n) **Articles and By-laws**

Amend or alter its Articles, constating documents or by-laws;

(o) **Intercompany and Related Party Transactions**

Except as disclosed in **Schedule "B"** hereto, enter into any intercompany transactions as between the Corporation and one or more of the Subsidiaries outside the ordinary course of business; or enter into any transactions with a non Arms-Length party;

(p) **Loans**

Lend money to or invest money in any Person, whether by way of loan, acquisition of shares, acquisition of debt obligations or in any other way whatsoever;

(q) **Senior Indebtedness**

Amend the terms and conditions of any existing credit facilities, including the Senior Lender Credit Facilities, including any increases to the Debt owing under the Senior Lender Credit Facilities;

(r) **Payments**

Make repayment of Debt owing by the Corporation, including interest on such monies, except: payments under the Senior Lender Credit Facilities; payments under this Debenture; reimbursement of reasonable expenses to employees, directors or officers of the Corporation; payments to creditors in the ordinary course of business or payments otherwise permitted under this Debenture;

(s) **Removal of Assets**

Remove the Collateral from the locations listed in **Schedule "D"** unless such removal is in the ordinary course of business and for the purposes of carrying on such business or is otherwise permitted herein;

(t) **Acquisition of Assets**

Acquire, directly or indirectly, any assets of any kind, including but not limited to, securities of any other Persons, unless such acquisitions are outlined in reasonable detail, to the satisfaction of the Secured Party, in the Corporation's annual budgets provided to the Secured Party annually;

(u) **Contracts and Agreements**

Enter into any material contracts, agreements or arrangements with other Persons, other than in the ordinary course of business or in connection with the transactions contemplated in this Debenture;

(v) **Intellectual Property**

Sell, assign, transfer, dispose of or encumber in any manner whatsoever (other than licenses in the ordinary course of business), the rights, patents, trade secrets, licenses or any other Intellectual Property Rights or industrial property rights owned by the Corporation; and

(w) Disbursements

Approve or effect any disbursements of funds that are not included in a cash flow budget approved by the Secured Party from time to time until the Corporation has become significantly cash flow positive, in the sole discretion of the Secured Party, acting reasonably.

7.3 Financial Covenants

So long as the Corporation is indebted or liable to the Secured Party in respect of the Obligations secured by this Debenture, the Corporation agrees to maintain and abide by the following financial covenants:

- (a) after June 30, 2011 and during the remainder of the Term of this Debenture, the Corporation's monthly cash flow shall not fall below its projected cash flow budget in any month in an amount exceeding \$217,000 (net of legal costs and costs relating to the transactions contemplated in this Debenture), as such cash flow is projected for in the budgets provided to the Secured Party in accordance with subsection 7.1(m)(ii);
- (b) after June 30, 2011 and during the remainder of the Term of this Debenture, the Corporation's cumulative cash flow at the end of any month shall not fall below its projected cumulative cash flow budget in amount exceeding \$3,000,000, as such cumulative cash flow is projected for in the budgets provided to the Secured Party in accordance with subsection 7.1(m)(ii);
- (c) the Corporation shall not incur any capital expenditures, including lease or license obligations, in excess of \$25,000 per month in the first 12 months following the first Advance Date, and \$75,000 per month for the remainder of the Term, unless such capital expenditures are outlined in reasonable detail, to the satisfaction of the Secured Party, in the Corporation's annual budgets provided to the Secured Party in accordance with subsection 7.1(m)(ii); and
- (d) at all times comply with all financial covenants and/or margin requirements specified by the Senior Lenders from time to time and forthwith notify the Secured Party upon any default thereunder occurring. All financial ratios shall be tested as frequently as required by the Senior Lender Credit Facilities, from time to time.

ARTICLE 8 - MORTGAGES, CHARGES AND SECURITY INTERESTS**8.1 Security Interest**

As security for the payment and performance of the Obligations of the Corporation, the Corporation:

- (a) mortgages, charges, assigns and transfers to the Secured Party, and grants to the Secured Party a continuing security interest in, and the Secured Party takes the security interest in, all of the Corporation's present and after acquired personal property and all proceeds thereof (except the property of the Corporation described in Section 8.2) of every nature and kind and wherever situate, including, without limitation:
 - (i) all debts, accounts, claims, monies and choses in action which now are, or which may at any time hereafter be due or owing to the Corporation or in which the Corporation acquires rights, and all books, records, documents, papers and electronically recorded data recording, evidencing, securing or otherwise relating to such debts, accounts, claims, monies and choses in action or any part or parts thereof (collectively, the "**Accounts**");
 - (ii) all present and future equipment now or hereafter owned by the Corporation or in which the Corporation acquires rights, including all machinery, electronic equipment, fixtures, plants, tools, furniture, vehicles of any kind or description, all spare parts, accessions or accessories located at or installed in or affixed or attached to any of the foregoing, and all

- drawings, specifications, plans and manuals relating thereto and any other goods that are not Inventory (collectively, the "**Equipment**");
- (iii) all present and future inventory of whatever kind now or hereafter owned by the Corporation or in which the Corporation acquires rights, including all raw materials, materials used or consumed in the business or profession of the Corporation, goods, work in progress, finished goods, returned goods, repossessed goods, goods used for packing, all packaging materials, supplies and containers, materials used in the business of the Corporation, whether or not intended for sale and goods acquired or held for sale, lease or resale or furnished or to be furnished under contracts of rental or service (collectively, the "**Inventory**");
 - (iv) all chattel paper, documents of title, instruments, securities, investment property and money now or hereafter owned by the Corporation or in which the Corporation acquires rights;
 - (v) all intangible property of the Corporation (save and except for Accounts) now or hereafter owned by the Corporation, including, without limitation, all contractual rights, licences, goodwill, patents, trademarks, tradenames, copyrights, other industrial designs and other industrial or intellectual property and undertaking of the Corporation and all other Intellectual Property or choses in action of the Corporation of every kind which now are, or which may at any time hereafter be, due or owing to or owned by the Corporation or in which the Corporation acquires rights and all other intangible property of the Corporation which is not Accounts, goods, chattel paper, documents of title, instruments, money or securities; and
 - (vi) all the serial numbered goods of the Corporation described in **Schedule "H"**, if any.
- (b) charges to and in favour of the Secured Party, and grants to the Secured Party a security interest in and to:
- (i) all of the Corporation's right, title and interest in and to all its presently owned or held and after acquired or held real, immovable and leasehold property, including but not limited to those interests described in **Schedule "E"**, and all interests therein, and all easements, rights-of-way, privileges, benefits, licences, improvements and rights whether connected therewith or appurtenant thereto or separately owned or held, including all structures, plant and other fixtures;
 - (ii) all property, assets and undertakings of the Corporation, both present and future, of whatsoever nature or kind and wheresoever situate, and all proceeds thereof, other than such of the property, assets and undertakings of the Corporation as are otherwise validly and effectively subject to the charges and security interests in favour of the Secured Party created pursuant to Subsections 8.1(a) or 8.1(c) hereof or are excluded pursuant to Section 8.2 hereof; and
- (c) mortgages and charges as and by way of a fixed and specific charge to and in favour of the Secured Party, and assigns and transfers to the Secured Party and grants to the Secured Party, by way of mortgage, charge, assignment and transfer, a security interest in all of the right, title and interest, both present and future of the Corporation, in and to all of its presently owned or held and after acquired or held property which:
- (i) is or hereafter becomes a fixture; or
 - (ii) constitutes a licence, quota, permit or other similar right or benefit or crops; and

- (d) pledges and hypothecates to the Secured Party and grants to the Secured Party a security interest in: all of the shares or investment property owned by the Corporation in the capital of each of the Subsidiaries as at the date of this Debenture; all shares or investment property in the capital of the Subsidiaries hereafter issued to the Corporation for any reason; all dividends or distributions declared or made at anytime in respect of any of the shares or investment property owned by the Corporation in the capital of the Subsidiaries; all options, warrants or rights issued to or acquired at anytime by the Corporation and all proceeds from the above described property; (collectively the "Securities"), as general and continuing collateral security for the payment, satisfaction or performance of the Obligations. In accordance with the pledge and assignment of the Securities hereunder, upon request from the Secured Party, the Corporation will deliver or cause to be delivered contemporaneously with the execution and delivery of this Debenture or as may otherwise be requested by the Secured Party, certificates representing the Securities, attached to powers of attorney and forms of transfer, duly executed in blank. The Corporation hereby appoints the Secured Party as an irrevocable attorney of the Corporation with full power of substitution from time to time to endorse and/or transfer any of the Securities and to exercise all rights and powers of the Corporation in respect of the Securities and the Secured Party and its nominees are hereby empowered to exercise all rights and powers and to perform all acts of ownership in respect of the Securities to the same extent as the Corporation might do; provided, however, that such appointment will only be effective upon the occurrence of an event of default under the Debenture or the Security or any default by the Corporation under this Debenture or in respect of the Obligations so long as such event of default or default is subsisting. This appointment is coupled with an interest and will not be revoked by the insolvency, bankruptcy, reorganization, arrangement, composition, dissolution, liquidation, winding-up or similar proceeding involving or affecting the Corporation or for any other reason.

Until the occurrence of any default by the Corporation under this Debenture, the Debenture or the Security, the Corporation will be entitled to exercise the voting rights under the Securities and, for that purpose, the Secured Party will execute and deliver to the Corporation all necessary proxies. Upon the occurrence of any of such default, whether or not the Securities have been registered in the name of the Secured Party or its nominee, the Secured Party or its nominee will have the right to exercise all voting rights with respect to the Securities and will have all other corporate rights and all conversion, exchange, subscription or other rights, privileges, or options pertaining thereto as if it were the absolute owner thereof including, without limitation, the right to exchange any or all of the Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of the Subsidiaries, or upon the exercise by the defaulting borrower of any right, privilege or option pertaining to any of the Securities, and, in connection therewith, to deliver any of the Securities to any depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it; but neither the Secured Party nor its nominee will have any duty to exercise any of the aforesaid rights, privileges or options and will not be responsible for any failure to do so or delay in so doing. Upon default of the Corporation hereunder, any cash dividends or distributions in respect of the Securities that are made payable and received by the Corporation at any time will be received in trust for the Secured Party and paid forthwith to the Secured Party to be applied in payment or satisfaction of the Obligations in such order as the Secured Party may deem fit, subject to the prior rights and interests of the Senior Lenders therein, and any excess so received after the payment and satisfaction in full of the obligations to be paid over to the Corporation.

The property of the Corporation described in paragraphs (a), (b), (c) and (d) above is collectively referred to in this Debenture as "**Collateral**".

8.2 Exclusions

The security interests granted herein do not apply or extend to:

- (a) the last day of any term created by any lease, oral or written, or agreement therefor now held or later acquired by the Corporation but the Corporation will stand possessed of the reversion thereby remaining in the Corporation of any leasehold premises in trust for the Secured Party to assign and dispose of as the Secured Party or any purchaser of such leasehold premises directs;
- (b) if any lease or other agreement contains a provision which provides in effect that such lease or agreement may not be assigned, subleased, charged or encumbered without the leave, licence, consent or approval of the lessor, the application of the security interest created hereby to any such lease or agreement is conditional upon such leave, licence, consent or approval having been obtained and the security interest created hereby will attach to such lease or agreement as soon as such leave, licence, consent or approval is obtained; or
- (c) any consumer goods of the Corporation.

8.3 Attachment

The Corporation acknowledges conclusively that the Corporation and the Secured Party intend the charges and security interests on the Collateral to attach immediately upon the execution of this Debenture, and in the case of Collateral in which the Corporation subsequently acquires rights contemporaneously with the Corporation acquiring rights therein. The Corporation acknowledges conclusively that value has been given.

8.4 Notification

After an Event of Default has occurred and is continuing, the Secured Party may notify any debtor of the Corporation on an intangible, chattel paper or Account, or any obligor on an instrument (an "**Account Debtor**") to make all payments on Collateral to the Secured Party and the Corporation acknowledges that the proceeds of all sales, or any payments on or other proceeds of the Collateral, including but not limited to payments on, or other proceeds of, the Collateral received by the Corporation from any Account Debtor, whether before or after notification to such Account Debtor and whether before or after default under this Debenture shall, subject to the rights of holders of prior ranking interests in such proceeds, be received and held by the Corporation in trust for the Secured Party and shall be turned over to the Secured Party upon request and the Corporation shall not commingle any proceeds of or payments on the Collateral, with any of the Corporation's funds or property, but will hold them separate and apart.

8.5 Purchase Money Security Interests

The security interests created hereby shall constitute purchase money security interests to the extent that any of the Obligations are monies advanced by the Secured Party to the Corporation for the purpose of enabling the Corporation to purchase or acquire rights in any of the Collateral and were so used by the Corporation and a certificate of an officer of the Secured Party as to the extent that the Obligations are monies so advanced and used shall be *prima facie* proof of the purchase money security interests constituted hereby.

8.6 Obligations

The charges and security interests created by this Debenture secure the due and punctual payment of all indebtedness, liabilities and obligations, present or future, direct or indirect, absolute or contingent, extended or renewed, matured or not, of the Corporation to the Secured Party, under or in any way connected with, arising out of or contemplated by this Debenture, and all reasonable associated out of pocket costs of realization, legal or other costs, charges and expenses from time to time owing by the Corporation to the Secured Party (the "**Obligations**").

8.7 Security Additional

The Corporation agrees that the mortgages, charges and security interests created by this Debenture are in addition to and not in substitution for any other security now or hereafter held by the Secured Party.

8.8 Use of Collateral by Corporation

Save as provided in Subsection 7.2(d) or 7.2(e), until an Event of Default occurs, the Corporation will be entitled to possess, operate, collect, use and enjoy the Collateral in any manner not inconsistent with the terms hereof.

8.9 Statutory Waivers

To the fullest extent permitted by law, the Corporation waives all of the rights, benefits and protections given by the provision of any existing or future statute which imposes limitations upon the powers, rights or remedies of a secured party or upon the methods of realization of security, including any seize or sue or anti-deficiency statute or any similar provisions of any other statute.

8.10 Copy of Agreement and Financing Statement

The Corporation acknowledges receiving a copy of this Debenture and waives all rights to receive from the Secured Party a copy of any financing statement, financing change statement or verification statement filed, issued, or obtained at any time in respect of this Debenture.

8.11 PPSA Shall Govern

Notwithstanding anything herein to the contrary, to the extent that the provisions of the PPSA impose obligations upon or restrict the rights or remedies of the Secured Party herein provided, which (i) have not been waived or varied by the Corporation herein whether expressly or by implication, or (ii) have been waived or varied herein, but are, by the provisions of the PPSA, incapable of waiver or variance by the Corporation, the provisions of the PPSA shall govern and the affected provisions hereof shall be deemed to be amended to the extent necessary to give effect to the said provisions of the PPSA without in any way affecting any other provision or provisions herein.

8.12 Location of the Collateral

The Collateral is, on the date hereof, primarily situate or located at the locations specified in **Schedule "D"** hereto, but may from time to time be located at other premises of the Corporation. The Collateral may also be located at other places while in transit to and from such locations and premises and may from time to time be situated or located at any other place when on lease or consignment to any lessee or consignee from the Corporation. Notwithstanding any other provision of this Debenture, the Collateral shall not be removed, except in the ordinary course of business, from the Province of Alberta or Ontario, as applicable, without the prior written consent of the Secured Party.

ARTICLE 9- DEFAULT

9.1 Events of Default

The Corporation shall be in default under this Debenture if any one or more of the following events (each an "**Event of Default**") occurs and upon such occurrence, the Secured Party will have the option to declare that all of the Outstanding Principal Obligations and all accrued and unpaid interest and fees hereunder shall, to the extent permitted by applicable law, become and be immediately due and payable without any declaration or other act on the part of the Secured Party:

- (a) if the Corporation makes default in payment of principal, or interest when due under this Debenture and such default remains unremedied for a period of thirty (30) days;
- (b) if the Corporation makes default in the payment when due of any amount payable by it to any of the Senior Lenders, and such default is not waived or cured within a period of thirty (30) days, to the satisfaction of the Senior Lender(s);

- (c) the Corporation defaults or an event of default occurs with respect to any of the material covenants, warranties and/or conditions contained in the Senior Lender Credit Facilities, including the financial covenants of the Senior Lenders (and not including payment defaults which are governed by subsection 9.1(b) above), and such default is not waived or cured within a period of thirty (30) days, to the satisfaction of the Senior Lender(s);
- (d) failure by the Corporation to observe or comply with any affirmative or negative covenant, condition or term as outlined herein (with the exception of non-payment defaults which shall be governed by subsection 9.1(a) above), or in any other Loan Document delivered pursuant hereto and such default remains unremedied for a period of thirty (30) days after Corporation's receipt of notice from Secured Party, or if such default is not capable of being remedied within thirty (30) days notwithstanding that the Corporation has diligently pursued remedy of such default, such longer period of time as may be agreed by the Secured Party, acting reasonably;
- (e) if the Corporation is in breach of or in default under the terms or provisions of any Material Contract and such default remains unremedied for a period of thirty (30) days after the Corporation's receipt of notice from Secured Party;
- (f) if, in the opinion of the Secured Party, acting reasonably, a Material Adverse Change has occurred in respect of the Corporation, and such Material Adverse Change remains substantially unremedied for a period of sixty (60) days after Corporation's receipt of notice from Secured Party;
- (g) if any representation or warranty of the Corporation in the Loan Documents proves to be untrue in any respect, and such remains unremedied for a period of thirty (30) days;
- (h) if
 - (i) the Corporation ceases to carry on its business, or if proceedings are commenced for the suspension of the business of the Corporation, or
 - (ii) if any proceedings are commenced against the Corporation under the *Companies Creditors Arrangements Act* or under the BIA (including a proposal or notice of intention) or;
 - (iii) if the Corporation commits an act of bankruptcy, or if the Corporation becomes insolvent or bankrupt or makes an authorized assignment pursuant to the BIA, or a bankruptcy petition is filed by the Corporation; or
 - (iv) if proceedings are commenced to appoint a receiver, receiver/manager, or trustee in respect of the assets or business of the Corporation by a court or pursuant to any other agreement; or
 - (v) if a petition is filed, an order is made or a resolution passed by the Corporation, or any other proceeding taken for the winding-up, dissolution or liquidation of the Corporation;

provided that, if such proceedings are commenced by any Person other than the Corporation or an Affiliate of the Corporation, such proceedings shall only constitute an Event of Default if such proceedings have not been discharged, vacated or stayed within thirty (30) days after commencement;

- (i) if proceedings are taken to enforce any encumbrance on the assets of the Corporation having a value in the aggregate, greater than Seventy Five Thousand (\$75,000.00) Dollars, excepting proceedings as are being contested in good faith by the Corporation.

9.2 Remedies

Upon the occurrence and continuation of a Default, the Secured Party shall not be required to advance any portion of the Loan which has not then been advanced.

In addition to any rights the Secured Party may have under any other Loan Document, upon the occurrence and continuation of an Event of Default, the Secured Party may declare any or all of the Obligations to be immediately due and payable and may proceed to realize the security hereby constituted and to enforce its rights by any method not prohibited by law, including but not limited to the following:

- (a) entry into or taking possession of all or any part of the Collateral;
- (b) entry upon and leasing and selling the whole or any part or parts of the Collateral, provided however that any such sale shall be on such terms and conditions, as to credit or otherwise, and as to bid or price, that the Secured Party, in its discretion, may determine to be advantageous, and such sale may take place whether or not the Secured Party has taken possession of such property and assets;
- (c) appointing by instrument in writing a receiver or receivers of the Collateral or any part thereof (which receiver or receivers may be any person or persons, whether an officer or officers or employee or employees of the Secured Party or not, and the Secured Party may remove any receiver or receivers so appointed and appoint another or others in his or her stead);
- (d) taking proceedings in any court of competent jurisdiction for the appointment of a receiver or receivers or for the sale of the Collateral or any part thereof;
- (e) filing such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding up or other judicial proceedings relative to the Corporation;
- (f) collecting any proceeds arising in respect of the Collateral;
- (g) collecting, realizing upon or selling or otherwise dealing with any accounts of the Corporation;
- (h) retaining any of the Collateral in satisfaction of all or part of the Obligations;
- (i) preparing for the disposition of the Collateral, whether on the premises of the Corporation or otherwise; or
- (j) any other action, suit, remedy or proceeding authorized or permitted hereby or by law or by equity.

9.3 Power of Sale

The provisions of subsection 9.4(g) will apply, *mutatis mutandis*, to a sale or lease of any of the Collateral by the Secured Party pursuant to subsection 9.2(b).

9.4 Receiver or Receiver-Manager

Any time after the security interests hereby created have become enforceable, the Secured Party may, from time to time, appoint in writing any qualified person (including an officer or employee of a Secured Party) to be a receiver or receiver-manager (the "**Receiver**") of the Collateral and may likewise remove any such person so appointed and appoint another qualified person in his stead. Any such Receiver appointed hereunder shall have the following powers:

- (a) to take possession of the Collateral or any part thereof, and to collect and get in the same and for that purpose to enter into and upon any lands, tenements, buildings, houses and premises wheresoever and whatsoever and to do any act and take any proceedings in the name of the Corporation, or otherwise, as the Receiver, acting reasonably, deems necessary;
- (b) to carry on or concur in carrying on the business of the Corporation (including, without limitation, the payment of the obligations of the Corporation and the cancellation or amendment of any contracts between the Corporation or any other Person) and the employment and discharge of such agents, managers, clerks, accountants, employees, contractors, workers and others upon such terms and with such salaries, wages or remuneration as the Receiver thinks proper;
- (c) to repair and keep in repair the Collateral or any part or parts thereof and to do all necessary acts and things for the protection of the Collateral;
- (d) to make any arrangement or compromise which he thinks expedient in the interest of the Secured Party or the Corporation and to assent to any modification or change in or omission from the provisions of this Debenture;
- (e) to exchange any part or parts of the Collateral for any other property suitable for the purposes of the Corporation upon such terms as may seem expedient and either with or without payment or exchange of money or equality of exchange or otherwise;
- (f) to raise on the security of the Collateral or any part or parts thereof, by mortgage, charge or otherwise any sum of money required for the repair, insurance or protection thereof, or any other purposes herein mentioned, or as may be required to pay off or discharge any lien, charge or encumbrance upon the Collateral or any part thereof, which would or might have priority over the security interests hereby created;
- (g) whether or not the Receiver has taken possession, to sell or lease or concur in the sale or leasing of any of the Collateral or any part or parts thereof after giving the Corporation not less than 20 days' written notice of its intention to sell or lease and to carry any such sale or lease into effect by conveying, transferring, leasing or assigning in the name of or on behalf of the Corporation or otherwise; and any such sale or lease may be made either at public auction or privately as the Receiver determines and any such sale or lease may be made from time to time as to the whole or any part or parts of the Collateral; and the Receiver may make any stipulations as to title or conveyance or commencement of title or otherwise which the Receiver deems proper; and the Receiver may buy in or rescind or vary any contract for the sale or lease of any of the Collateral or any part or parts thereof, and may resell and release without being answerable for any loss occasioned thereby; and the Receiver may sell or lease any of the same as to cash or part cash and part credit or otherwise (including by deferred payment arrangement) as appears to be most advantageous and at such prices as can be reasonably obtained therefor and in the event of a sale or lease on credit neither it nor the Secured Party shall be accountable or charged with any monies until actually received.

9.5 Liability of Receiver

The Receiver appointed and exercising powers under the provisions hereof will not be liable for any loss unless the loss is caused by the Receiver's own gross negligence or wilful default, and the Receiver will, when so appointed, be deemed to be the agent of the Corporation and the Corporation will be solely responsible for the Receiver's acts and defaults and for the Receiver's remuneration.

9.6 Effect of Appointment of Receiver

As soon as the Secured Party takes possession of any Collateral or appoints a Receiver, all powers, functions, rights and privileges of the directors and officers of the Corporation with respect to the Collateral cease, unless specifically continued by the written consent of the Secured Party or the Receiver.

9.7 Validity of Sale or Lease

No purchaser at any sale and no lessee under any lease purporting to be made in pursuance of the power set forth in subsections 9.2(b) and 9.4(g) will be bound to see or inquire whether any default has been made or continues or whether any notice required hereunder has been given or as to the necessity or expediency of the stipulations subject to which sale or lease have been made or otherwise as to the propriety of such sale or lease, or regularity of proceedings or be affected by notice that such default has been made or continues or notice given as aforesaid, or that the sale or lease is otherwise unnecessary, improper or irregular; and notwithstanding any impropriety or irregularity or notice thereof to such purchaser or lessee the sale or lease as regards such purchaser or lessee will be deemed to be within the aforesaid power and be valid accordingly and the remedy, if any, of the Corporation in respect of any impropriety or irregularity whatsoever in any such sale or lease will be in damages only.

9.8 Deficiency

If the proceeds of a sale of the Collateral by the Secured Party under Section 9.2 or by a Receiver under Section 9.4 are insufficient to fully pay the Obligations, the Corporation will at all times remain liable for the payment of such deficiency and will forthwith pay to the Secured Party the deficiency.

9.9 Waiver

The Secured Party may waive any breach by the Corporation of any of the provisions of this Debenture or any Event of Default, but no such waiver will extend to or affect any subsequent breach or Event of Default under this Debenture.

9.10 Application of Payments and Proceeds

Any and all payments made from time to time in respect of the indebtedness and liability secured by this Debenture and monies realized from any proceeds of sale of the Collateral may be applied to such part or parts of the indebtedness and liability secured by this Debenture as the Secured Party may see fit, and the Secured Party shall at all times and from time to time have the right to change any appropriation as the Secured Party may see fit.

9.11 Expenses

The Corporation agrees to pay all reasonable expenses, including solicitor's fees as between a solicitor and his own client and disbursements and the remuneration of any Receiver appointed hereunder, incurred by the Secured Party in the preparation, perfection and enforcement of this Debenture or the Obligations, or in the holding, repairing, processing or preparing for disposition and disposing of, the Collateral, with interest at the Interest Rate, and the payment of such expenses shall be secured hereby.

9.12 Payment of Encumbrances

The Secured Party may pay and satisfy the whole or any part of any liens, taxes, rates, charges or Encumbrances, other than Permitted Encumbrances, which are in default, now or hereafter existing in respect of any of the Collateral and such payments together with all costs, charges and expenses which may be incurred in connection with making such payments shall form part of the indebtedness and liability secured by this Debenture and shall be secured by the mortgages, charges and security interest granted herein and in the Security. In the event of the Secured Party satisfying any such lien, charge or Encumbrance, it shall be entitled to all the equities and

securities of the Person or Persons so paid and is hereby authorized to obtain any discharge or assignment thereof and to hold any such discharge without registration for so long as it may deem it advisable to do so.

ARTICLE 10- INDEMNITIES

10.1 Environmental Indemnity

The Corporation hereby indemnifies the Secured Party and its officers, directors, employees, agents and partners (collectively, the "**Indemnified Parties**" and individually, an "**Indemnified Party**") and agrees to hold each of them harmless from and against any and all losses, liabilities, damages, costs, expenses and claims of any and every kind whatsoever (including, without limitation: (i) the cost of defending and/or counterclaiming or claiming over against any third party in respect of any action or matter; and (ii) the costs, liability or damage arising out of a settlement of any action entered into by an Indemnified Party (with the consent of the Corporation, such consent not to be unreasonably withheld), which at any time or from time to time may be paid, incurred or asserted against, the Indemnified Parties or any of them for, with respect to, or as a direct or indirect result of, the presence now or hereafter on or under any Real Property or Leased Premises of the Corporation, of the escape, seepage, leakage, spillage, discharge, emission or release now or hereafter from any Real Property or Leased Premises of the Corporation or otherwise into or upon any land, the atmosphere, or any watercourse, body of water or wetland of any hazardous substance, or any liability of the Corporation as a result of non-compliance with any legal requirement relating to public health or safety or the environment, except to the extent such losses result from the gross negligence or wilful misconduct of the Indemnified Party. The provisions of, and undertakings and indemnifications set out in this Section 10.1 shall survive payment or performance (as the case may be) of all other Obligations owing by the Corporation pursuant to this Debenture.

10.2 General Indemnification

The Corporation agrees to indemnify the Indemnified Parties and each of them and agrees to hold each of them harmless from and against any and all losses, liabilities, damages, costs, expenses and claims of any and every kind whatsoever (except to the extent such losses, liabilities, damages, costs, expenses and claims arise by reason of the negligence or willful misconduct of an Indemnified Party) which may be imposed on, incurred by, or asserted against the Indemnified Parties or any of them arising by reason of:

- (a) any breach by the Corporation of, or any inaccuracy of, any representation or warranty of the Corporation, contained in this Debenture or any Loan Document;
- (b) any breach or non-performance by the Corporation of any covenant to be performed by it that is contained in this Debenture or any Loan Document;
- (c) any losses or damages resulting from or arising directly or indirectly from the assertion of any claim against the Indemnified Party for matters arising from or relating to any employees, agents or independent contractors employed or engaged by the Corporation; or
- (d) any demand, award, judgment, action or proceeding by whomsoever made, brought or prosecuted in respect of loss of, damage to or destruction of property (including loss or damage sustained by the Corporation or representative) or personal injury including death and any and all expenses and costs (including legal fees, charges and disbursements on an as between a solicitor and his own client basis) arising out of or in any way connected with the Corporation's performance of its obligations and covenants hereunder; and

for the purposes of this section, "Corporation" shall be deemed to include any director, officer, employee, agent or representative of such entity.

ARTICLE 11 - MISCELLANEOUS

11.1 Confidentiality

The Secured Party acknowledges and agrees that it shall maintain all Confidential Information in strict confidence and shall not disclose or permit the disclosure of any Confidential Information to any Person without the prior written consent of the Corporation, provided that such obligations of confidentiality shall not apply to information which (a) is in the public domain through no fault of the Secured Party; (b) is independently developed by the Secured Party without reference to or knowledge of the Corporation's Confidential Information, (c) the Secured Party is compelled by statute or law to disclose or is compelled to disclose by a court of competent jurisdiction, provided that the Secured Party provides the Corporation with timely notice of such compulsion and that the Secured Party discloses only such Confidential Information as legally required; or (d) information disclosed on a need to know confidential basis to its employees, agents, affiliates, subsidiaries, legal or accounting advisors or investment committee or as otherwise required by legislation, regulation, order or similar provisions applicable to the Secured Party. The provisions of this Section 11.1 shall survive payment or performance (as the case may be) of all Obligations owing by the Corporation pursuant to this Debenture.

Upon the request of the Corporation after payment of all amounts secured by this Debenture, the Secured Party shall immediately cease all use of, and will forthwith deliver to the Corporation or destroy, without charge, the Confidential Information, including all copies, with the exception of copies of financial information required for its record-keeping, preparation of tax returns and financial reporting requirements. In the event of destruction, the Secured Party shall certify in writing to the Corporation, within five (5) days of its receipt of the Corporation's request hereunder, that such destruction has been completed and no copies of such Confidential Information have been retained.

11.2 Evidence of Debt

The indebtedness of the Corporation in respect of or in connection with the Loan shall, in the absence of manifest error, be *prima facie* evidenced by the books and records of the Secured Party.

11.3 Additional Expenses

If the Corporation fails to observe or perform any covenant or agreement to be observed or performed by the Corporation hereunder, the Secured Party may, but shall not be obliged to, perform or cause to be performed the same for which purpose the Corporation hereby appoints the Secured Party to be the lawful attorney of the Corporation, and all reasonable expenses incurred and payments made by the Secured Party in so doing shall be paid by the Corporation to the Secured Party forthwith upon demand by the Secured Party and any such unpaid amount shall bear interest both before and after judgment, at the Interest Rate, calculated and compounded monthly in arrears.

11.4 Invalidity of any Provisions

If one or more of the provisions of this Debenture or any of the other Loan Documents shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby and no such invalidity shall affect the obligation of the Corporation to repay the Loan.

11.5 Amendments, Waivers

This Debenture may be amended in writing with the consent and agreement of the Corporation and the Secured Party. No failure to exercise and no delay in exercising any right, power or privilege under this Debenture or any of the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Debenture preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Any such amendment or waiver shall be binding upon the Corporation and the Secured Party, and shall be for such period and subject to such conditions as shall be specified in the instrument

containing such amendment or waiver. In the case of any such waiver of an Event of Default, the Corporation and the Secured Party shall be restored to their former positions and rights under this Debenture and any Event of Default so waived shall be deemed to be cured and not continuing, provided that no such waiver or amendment shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The remedies herein provided are cumulative and not exclusive of any other rights or remedies available at or provided by law.

11.6 Notices

A notice or any other communication to be given in connection with this Debenture shall, except as otherwise permitted hereunder, be in writing personally delivered, by prepaid courier or by prepaid registered mail:

- (a) if to the Secured Party, to it at:

Werklund Capital Corporation
4500 Canterra Tower
400 - 3rd Ave SW
Calgary, AB T2P 4H2

Telephone: (403) 231-6545

with a copy to: TingleMerrett, LLP
1250, 639 - 5th Avenue SW
Calgary, AB T2P 0M9
Attention: Catherine M. Merrett

Telephone: (403) 571-8000

- (b) if to the Corporation to it at:

RS Technologies Inc.
233 Mayland Place NE
Calgary, AB T2E 7Z8

Telephone: (403) 219-8022

with a copy to: Burnet, Duckworth & Palmer LLP
Suite 1400 350 7th Ave SW
Calgary, AB T2P 3N9
Attention: Kathy Pybus

Telephone: (403) 260-0100

or to such other address as a party hereto may from time to time designate to the other party hereto in such manner. All such notices and communications shall, when required or permitted to be delivered hereunder by personal delivery or prepaid courier, be effective when so delivered, and when delivered by prepaid registered mail shall be effective five (5) days after mailing.

11.7 Costs, Expenses and Taxes

The Corporation shall pay to the Secured Party on demand all reasonable out of pocket costs and out of pocket expenses (including, without limitation, all reasonable legal fees and disbursements) incurred by the Secured Party in connection with this Debenture and the other Loan Documents, including:

- (a) the negotiation, preparation, execution, delivery and interpretation, prior and subsequent to the Closing Date, of this Debenture or the other Loan Documents or any agreement or instrument contemplated hereby or thereby, subject to the expenses provisions of the Commitment Letter;

- (b) on-site inspections, up to one time per calendar year, by the Secured Party or its representatives;
- (c) advice of legal counsel, after the Closing Date, with respect to the administration of or other matters relating to Loan, the Loan Documents or any transaction contemplated thereunder;
- (d) the enforcement of this Debenture or any of the Loan Documents or the enforcement or preservation of rights thereunder and the refinancing, re-negotiation or restructuring of the Loan or the bringing of any action, suit or proceeding with respect to the enforcement of any of the Loan Documents or any such right or seeking any remedy which may be available to the Secured Party at law or in equity; and
- (e) any amendments, waivers or consents requested by the Corporation pursuant to the provisions hereof or any other Loan Document.

11.8 No Secured Party Liability

The Corporation acknowledges that the Secured Party has requested and reviewed and may in the future request and review the information pertaining to the establishment of the Loan. The Corporation hereby agrees that, in the course of undertaking such due diligence investigation, the Secured Party has not influenced and shall not influence or exercise control over the Corporation's decisions regarding the Loan, and that any and all determinations which the Secured Party has made or may make, or opinions which it or any of its respective employees may express in the course of such investigations have been, and shall be made or expressed as the case may be, solely for its own purpose acting in good faith. The Corporation further expressly agrees that the Secured Party may disclose to any potential assignee or participant of all or a part of the Loan any and all business and affairs without incurring any liability to the Corporation for so doing; provided that such potential assignee agrees to treat such information as confidential in accordance with procedures and standards of confidentiality no less rigorous than those maintained by the Secured Party.

11.9 Permitted Encumbrances

The designation of an Encumbrance as a Permitted Encumbrance is not, and shall not be deemed to be, an acknowledgement by the Secured Party that the Encumbrance shall have priority over the Security.

11.10 Governing Law

This Debenture shall be governed by, and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

11.11 Consent to Jurisdiction

The Corporation and the Secured Party hereby irrevocably submit to the exclusive jurisdiction of the Courts of the Province of Alberta in respect of any action, suit or proceeding arising out of or relating to the Loan Documents and the Loan and hereby irrevocably agrees that all claims in respect of any such action, suit or proceeding may be heard and determined in any such Alberta Court.

11.12 Binding Effect

This Debenture shall be binding upon the Corporation and its successors and permitted assigns and shall enure to the benefit of the Secured Party and its successors and assigns.

11.13 Assignment and Participation

The Corporation shall not assign its rights and obligations hereunder or any interest herein without the prior written consent of the Secured Party. The Secured Party shall be entitled to sell and assign all or a portion of its interest in the Loan and the Loan Documents to upon notice to the Corporation, or upon the occurrence of an Event

of Default, to any third party. The Corporation shall execute any and all documents reasonably required by the Secured Party in connection with any such assignment or participation, provided that such documents do not prejudice the rights of the Corporation under this Debenture or result in any increase in interest, costs or fees payable by the Corporation.

11.14 Discharge of Security

Until the security hereby constituted shall have become enforceable, the Corporation shall have quiet possession of the Collateral. Upon payment and fulfillment by the Corporation, its successors or permitted assigns, of all Obligations of the Corporation to the Secured Party secured hereby and provided that the Secured Party is then under no obligation (conditional or otherwise) to make any further loan or extend any other type of credit to the Corporation, the Secured Party shall, upon request in writing by the Corporation, deliver to the Corporation, in a timely manner and discharge, all of the Security, including without limitation, this Debenture.

11.15 Headings

The headings in this Debenture are included for convenience of reference only, and shall not constitute a part of this Debenture for any other purpose.

11.16 Interest Act Equivalent

In this Debenture, each rate of interest which is calculated with reference to a period (the "deemed interest period") that is less than the actual number of days in the calendar year of calculation is, for the purposes of the *Interest Act* (Canada), equivalent to a rate based on a calendar year calculated by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing by the number of days in the deemed interest period.

11.17 Withholding Tax

If any such tax is imposed on the Secured Party, or the Corporation is obligated to withhold any such tax from any payments to the Secured Party, the Corporation shall increase the amount paid to the Secured Party such that the amount the Secured Party receives after the imposition of such tax will be the same as the amount it would have received if such tax or withholding were not imposed

11.18 Amalgamation

The Corporation hereby acknowledges and agrees that, in the event it amalgamates or otherwise merges with any other corporation or corporations, it is the intention of the parties hereto that the term Corporation, when used herein, shall apply to each of the amalgamating or merging corporations and to the amalgamated or merged corporation, such that the charges and security interests granted hereby:

- (a) shall extend to Collateral owned by each of the amalgamating or merging corporations and the amalgamated or merged corporation at the time of amalgamation or merger and to any Collateral thereafter owned or acquired by the amalgamated or merged corporation;
- (b) shall secure the Obligations of each of the amalgamating or merging corporations and the amalgamated or merged corporation to the Secured Party at the time of amalgamation or merger and any Obligations of the amalgamated or merged corporation to the Secured Party arising after the amalgamation or merger; and
- (c) shall attach to Collateral owned by each corporation amalgamating or merging with the Corporation, and by the amalgamated or merged corporation, at the time of amalgamation, and shall attach to any Collateral thereafter owned or acquired by the amalgamated or merged corporation when such becomes owned or is acquired.

11.19 Debenture Transferable

This Debenture and all benefits and rights hereunder shall be transferable or assignable either in whole or in part by the Secured Party, provided that such transfer shall be made in accordance with all applicable securities laws.

11.20 Counterparts and Electronic Copies

This Debenture may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. For the purposes of this section, the delivery of a facsimile or electronic copy of an executed counterpart of this Debenture shall be deemed to be valid execution and delivery of this Debenture, but the party delivering a facsimile copy shall deliver an original copy of this Debenture as soon as possible after delivering the facsimile or electronic copy.

IN WITNESS WHEREOF the parties have executed and delivered this Debenture as of the 5th day of July, 2011.

RS TECHNOLOGIES INC.

Per: _____
Name: _____
Title: _____

WERKLUND CAPITAL CORPORATION

Per: _____
Name: Blalle Lys
Title: Pres & CEO

11.19 Debenture Transferable

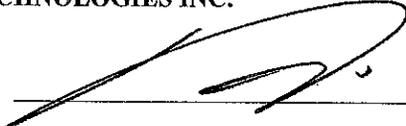
This Debenture and all benefits and rights hereunder shall be transferable or assignable either in whole or in part by the Secured Party, provided that such transfer shall be made in accordance with all applicable securities laws.

11.20 Counterparts and Electronic Copies

This Debenture may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. For the purposes of this section, the delivery of a facsimile or electronic copy of an executed counterpart of this Debenture shall be deemed to be valid execution and delivery of this Debenture, but the party delivering a facsimile copy shall deliver an original copy of this Debenture as soon as possible after delivering the facsimile or electronic copy.

IN WITNESS WHEREOF the parties have executed and delivered this Debenture as of the 5th day of July, 2011.

RS TECHNOLOGIES INC.

Per: 
Name: _____
Title: _____

WERKLUND CAPITAL CORPORATION

Per: _____
Name: _____
Title: _____

Schedule "A"

LIST OF LOAN DOCUMENTS

Security Documents

- (a) Secured Convertible Debenture in the principal amount of \$6,000,000;
- (b) Second Charge Collateral Mortgage over real property owned by the Corporation
- (c) Assignment of Intellectual Property Rights by Corporation;
- (d) Intercreditor Agreement with Canadian Western Bank; and
- (e) Any other security documents that the Secured Party or its counsel deem necessary.

Other Loan Documents

- (a) Advance Request;
- (b) Officer's Certificate and certified resolutions of the Board of Directors of the Corporation;
- (c) Indemnity Agreement between the Corporation and each of the Secured Party board of director's nominees;
- (d) Evidence of insurance policies naming the Secured Party as loss payee,
- (e) Evidence of Directors and Officers Liability Insurance;
- (f) Consulting Agreement between the Corporation and the Secured Party; and
- (g) Any other documents or agreements that the Secured Party or its counsel deem necessary.

Schedule "B"

**ISSUED AND OUTSTANDING SHARES OF
THE CORPORATION AND ITS SUBSIDIARIES**

A. Issued and Outstanding Share Capital of the Corporation

There are currently no shareholders holding over 10% of the issued and outstanding Common Shares of the Corporation.

B. Issued and Outstanding Share Capital of the Subsidiaries

RS Advanced Structures Inc.	100 shares
Resin Systems (USA) Inc.	1,000 shares

C. Outstanding loans of the Corporation to any subsidiary or related parties

NIL

D. Details of Existing Convertible Securities

Total of 6,277,582 warrants to purchase 6,289,562 common shares as follows:

199,595 warrants at an exercise price of \$34.00, expiring December 17, 2013
4,777,991 warrants at an exercise price of \$2.00, expiring October 29, 2015
1,300,000 warrants at an exercise price of \$1.03, expiring February 18, 2013

50,742 options to purchase an equivalent number of common shares

E. Intercompany and Related Party Transactions

Details provided in the Corporation's audited annual financial statements and Management, Discussion and Analysis for the financial year ending December 31, 2010.

Schedule "C"

INTELLECTUAL PROPERTY

All the right, title, benefit and interest of the Corporation in and to all registered or unregistered trademarks, trade or brand names, service marks, web sites, domain names and addresses, copyrights, moral rights, designs, specifications, drawings, diagrams, blueprints, engineering or technical papers or documents, inventions, patents, patent applications and patent rights (including any patents issuing on such applications or rights), licences, sub-licenses, formulae, processes, technology and other industrial property of or pertaining to the business of the Corporation including the following:

Domain Names

www.grouprsi.com

www.RStandard.com

Patents and Patent Applications

Case Ref.	Official No.	Title	Case Status	Country
V80454AU	2006200993	Method Of Modular Pole Construction And Modular Pole Assembly	Issued	Australia
V80454BR	PI0609189-0	Method Of Modular Pole Construction and Modular Pole Assembly	Examination Requested - awaiting first Office Action	Brazil
V80454CA1	2,596,157	Method Of Modular Pole Construction and Modular Pole Assembly	Issued	Canada
V80454CN	200680000002.4	Method Of Modular Pole Construction And Modular Pole Assembly	Issued	China
V80454EP	1851401	Method Of Modular Pole Construction and Modular Pole Assembly	Validated in Austria, Belgium, Bulgaria, Switzerland, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, Great Britain, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia, Slovakia and Turkey	European Patent Office
V80454GC	GCC/P/2006/5779	Method Of Modular Pole Construction and Modular Pole Assembly	Examination Requested	GCC
V80454HK	1851401	Method Of Modular Pole Construction and Modular Pole Assembly	European Patent registered in Hong Kong	Hong Kong
V80454IN	5970/DELNP/2007	Method Of Modular Pole Construction and Modular Pole Assembly	Examination Requested - awaiting first Office Action	India
V80454JP	4369517	Method Of Modular Pole Construction and Modular Pole Assembly	Issued	Japan
V80454KR	10-2007-7019175	Method Of Modular Pole Construction and Modular Pole Assembly	Abandoned for not filing response to office action	Republic of Korea
V80454RU	2376432	Method Of Modular Pole Construction and Modular Pole Assembly	Issued	Russian Federation
V80454US	11/815,754	Method Of Modular Pole Construction and Modular Pole Assembly	Further Office Action issued – final deadline for response is August 2, 2011	U.S.A.
V80437CA	2,595,201	Composite Article And Method of Manufacturing Same	Examination requested – awaiting first Office Action	Canada
V80437US	11/814,600	Composite Article And Method of Manufacturing Same	Examination requested - awaiting first Office Action	U.S.A.

Case Ref.	Official No.	Title	Case Status	Country
V80459CAI	2,641,050	Method of Pultrusion Employing Multiple Resins	Examination request deadline – Aug 4, 2011	Canada
V80459EP	06775079.4	Method of Pultrusion Employing Multiple Resins	Examination requested - awaiting first Office Action	European Patent Office
V80469CAI	2,645,068	Pultrusion Apparatus and Method	Examination request deadline -- March 22, 2012	Canada
V80469US1	12/281,943	Pultrusion Apparatus and Method	Application abandoned	U.S.A.
V80478CA	2,274,328	Method Of Manufacturing Composite Tubular Parts Through Filament Winding	Abandoned – Reinstatement deadline June 10, 2012	Canada
V80480CA	2,310,166	A Two Component Chemically Thermoset Composite Resin Matrix For Use In Composite Manufacturing Processes	Abandoned – Reinstatement deadline May 29, 2012	Canada
V80480DE	1297045	A Two Component Chemically Thermoset Composite Resin Matrix For Use In Composite Manufacturing Processes	Issued	Germany
V80480ES	1297045	A Two Component Chemically Thermoset Composite Resin Matrix For Use In Composite Manufacturing Processes	Issued	Spain
V80480FR	1297045	A Two Component Chemically Thermoset Composite Resin Matrix For Use In Composite Manufacturing Processes	Issued	France
V80480GB	1297045	A Two Component Chemically Thermoset Composite Resin Matrix For Use In Composite Manufacturing Processes	Issued	United Kingdom
V80480IT	1297045	A Two Component Chemically Thermoset Composite Resin Matrix For Use In Composite Manufacturing Processes	Issued	Italy
V80480NL	1297045	A Two Component Chemically Thermoset Composite Resin Matrix For Use In Composite Manufacturing Processes	Issued	Netherlands
V80480SE	1297045	A Two Component Chemically Thermoset Composite Resin Matrix For Use In Composite Manufacturing Processes	Issued	Sweden
V80480US	6,420,493	A Two Component Chemically Thermoset Composite Resin Matrix For Use In Composite Manufacturing Processes	Issued	U.S.A.

Trade-mark Summary

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
RSTANDARD	Australia	Resin Systems Inc.	Application No. 1105869 Registration No. 1105869	Filing Date: March 27, 2006 Registration Date: April 14, 2008	Class: 11 Utility lights. Class: 19 Non-metal utility poles, and utility pole cross arms. Class: 42 Technical support services relating to the use of polyurethane based resins in manufacturing.	Registered Renewal due March 27, 2016
VERSION	Australia	Resin Systems Inc.	Application No. 1105871 Registration No. 1105871	Filing Date: March 27, 2006 Registration Date: November 13, 2006	Class: 17 Synthetic resins for use in the manufacture of moulding compounds; resins in bars, blocks, pellets, rods, sheets and tubes for general industrial use; and resins in extruded form for general industrial use.	Registered Renewal due March 27, 2016
VROLL (tubes, hubs, shafts, seals and bearings)	Australia	Resin Systems Inc.	Application No. 1105868 Registration No. 1105868	Filing Date: March 27, 2006 Registration Date: March 27, 2006	Class: 7 Rollers for use with conveyers; parts for rollers that are used with conveyors, namely, tubes, hubs, shafts, seals and bearings.	Registered Renewal due March 27, 2016
INFRASTRUCTURE FOR LIFE	Australia	Resin Systems Inc.	Application No. 1279387 Registration No. 1279387	Filing Date: November 25, 2008 Registration Date: November 25, 2008	Class: 1 Polyurethane based resins, namely resins for use in polymer moulding processes. Class: 2 Resin based adhesive coatings and sealants. Class: 7 Rollers for use with conveyers; parts for rollers that are used with conveyors, namely, tubes, hubs, shafts, seals and bearings. Class: 11 Utility lights. Class: 19 Non-metal utility poles and utility pole cross arms. Class: 42 Research services relating to the development and testing of composite products for use in infrastructure markets; technical support services relating to the use of polyurethane based resins in manufacturing; materials handling consulting services.	Registered Renewal due November 25, 2018

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
RS	Brazil	Resin Systems Inc.	Application No. 828.229.635	Filing Date: March 27, 2006	Class: 1 Polyurethane based resins for use in polymer molding processes.	Advertised May 16, 2006
RS	Brazil	Resin Systems Inc.	Application No. 828.229.333	Filing Date: March 27, 2006	Class: 42 Technical support services relating to the use of polyurethane based resins in manufacturing.	Registration fee paid
RS	Brazil	Resin Systems Inc.	Application No. 828.229.406	Filing Date: March 27, 2006	Class: 19 Non-metal utility poles and utility pole cross arms	Advertised May 16, 2006
RSTANDARD	Brazil	Resin Systems Inc.	Application No. 828.229.490	Filing Date: March 27, 2006	Class: 11 Utility lights.	Advertised May 16, 2006
RSTANDARD	Brazil	Resin Systems Inc.	Application No. 828.229.414	Filing Date: March 27, 2006	Class: 19 Non-metal utility poles and utility pole cross arms.	Advertised May 16, 2006
RSTANDARD	Brazil	Resin Systems Inc.	Application No. 828.229.341	Filing Date: March 27, 2006	Class: 42 Technical support services relating to the use of polyurethane based resins in manufacturing.	Registration Fee Paid
AN ENGINEERED SOLUTIONS COMPANY INNOVATING IN COMPOSITES	Canada	Resin Systems Inc.	Application No. 1269362 Registration No. TMA 722,544	Filing Date: August 22, 2005 Registration Date: August 28, 2008	WARES: (1) Polyurethane based resins, namely resins for use in polymer molding process. (2) Resin based adhesive coatings and sealants for general use. (3) Utility poles, utility pole cross arms, and utility lights. (4) Sporting goods and equipment, namely hockey sticks, hockey stick replacement shafts, hockey stick replacement blades, water skis, snow skis, surfboards, snowboards, all-terrain boards, skateboard ramps, knee pads, elbow pads, helmets, wrist guards, shin guards, sporting facility side-boards, tennis racquet frames, squash racquet frames, badminton racquet frames, racquetball racquet frames, baseball bats, cricket bats, fishing rods, curling broom handles, pole vault rods, ski-poles, ringette shafts, hiking boot supports, ice skates, in- line skates, unicycles and unicycle parts, bicycle and bicycle parts, multi-wheel bikes and multi-wheel bike parts, net	Registered Renewal due August 28, 2023

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
					support poles, soccer nets, hockey nets, football uprights, basketball posts, and basket ball back boards. SERVICES: (1) Technical support services relating to the use of polyurethane based resins in manufacturing.	
DESTROYER	Canada	Resin Systems Inc.	Application No. 1172631 Registration No. TMA612,719	Filing Date: April 1, 2003 Registration Date: June 15, 2004	WARES: (1) Hockey sticks.	Registered: Renewal due June 15, 2019
INNOVATORS IN COMPOSITES	Canada	Resin Systems Inc.	Application No. 1287962 Registration No. TMA701,778	Filing Date January 30, 2006 Registration Date: November 27, 2007	WARES: (1) Polyurethane based resins, namely resins for use in polymer moulding processes. (2) Resin based adhesive coatings and sealants for general use. (3) Utility poles, utility pole cross arms, and utility lights. SERVICES: (1) Technical support services relating to the use of polyurethane based resins in manufacturing.	Registered: Renewal due November 27, 2022
INTIMIDATOR	Canada	Resin Systems Inc.	Application No. 1171808 Registration No. TMA612,711	Filed: March 26, 2003 Registered: June 15, 2004	WARES: (1) Hockey sticks.	Registered Renewal due June 15, 2019
NV & Design 	Canada	Resin Systems Inc.	Application No. 1164270 Registration No. TMA658,180	Filed: January 09, 2003 Registered: February 6, 2006	WARES: (1) Sporting goods and equipment, namely hockey sticks, hockey stick replacement shafts, hockey stick replacement blades.	Registered Renewal due February 6, 2021
RS	Canada	Resin Systems Inc.	Application No. 1218348	Filed: May 27, 2004 Registered:	WARES: (1) Polyurethane based resins for use in polymer moulding processes.	Registered Renewal due

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
<p>RS INNOVATORS IN COMPOSITES & Design (Black & White)</p> 	Canada	Resin Systems Inc.	<p>Registration No. TMA658,071</p> <p>Application No. 1292733 Registration No. TMA687,456</p>	<p>February 3, 2006</p> <p>Filing Date: March 7, 2006 Registration Date: May 10, 2007</p>	<p>(2) Utility poles, utility pole cross arms, and utility lights. (3) Resin based coatings and sealants. (4) Sporting goods and equipment, namely hockey sticks, hockey stick replacement shafts, hockey stick replacement blades.</p> <p>WARES: (1) Polyurethane based resins, namely resins for use in polymer moulding processes. (2) Resin based adhesive coatings and sealants. (3) Non-metal utility poles and utility pole cross arms. (4) Utility lights.</p> <p>SERVICES: (1) Technical support services relating to the use of polyurethane based resins in manufacturing.</p>	<p>February 3, 2021</p> <p>Registered</p> <p>Renewal Due May 10, 2022</p>
<p>RS INNOVATORS IN COMPOSITES & Design (Colour Logo)</p> 	Canada	Resin Systems Inc.	<p>Application No. 1292734 Registration No. TMA687,457</p>	<p>Filing Date: March 7, 2006 Registration Date: May 10, 2007</p>	<p>WARES: (1) Polyurethane based resins, namely resins for use in polymer moulding processes. (2) Resin based adhesive coatings and sealants. (3) Non-metal utility poles and utility pole cross arms. (4) Utility lights.</p> <p>SERVICES: (1) Technical support services relating to the use of polyurethane based resins in manufacturing.</p>	<p>Registered</p> <p>Renewal due May 10, 2022</p>
RSEAL	Canada	Resin Systems Inc.	<p>Application No. 1218350 Registration No. TMA700,839</p>	<p>Filing Date: May 27, 2004 Registration Date: November 15, 2007</p>	<p>WARES: (1) Industrial coatings for use in corrosion prevention.</p> <p>SERVICES: (1) Technical support services namely the use of polyurethane based resins in</p>	<p>Registered</p> <p>Renewal due November 15, 2022</p>

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
RSTANDARD	Canada	Resin Systems Inc.	Application No. 1218345 Registration No. TMA658,031	Filing Date: May 27, 2004 Registration Date: February 3, 2006	WARES: (1) Utility poles, utility pole cross arms, and utility lights. SERVICES: (1) Technical support services relating to the use of polyurethane based resins in manufacturing.	Registered Renewal due February 3, 2021
SLAYER	Canada	Resin Systems Inc.	Application No. 1169786 Registration No. TMA624,103	Filing Date: March 6, 2003 Registration Date: November 1, 2004	WARES: (1) Hockey sticks.	Registered Renewal due November 1, 2019
SMART POLE	Canada	Resin Systems Inc.	Application No. 1018289 Registration No. TMA538,184	Filing Date: June 9, 1999 Registration Date: Dec. 4, 2000	WARES: (1) Fiberglass poles.	Registered Renewal due December 4, 2015
STRONGER, LIGHTER, GREENER	Canada	Resin Systems Inc.	Application No. 1218347 Registration No. TMA658,032	Filing Date: May 27, 2004 Registration Date: February 3, 2006	WARES: (1) Polyurethane based resins, namely resins for use in polymer molding process. (2) Resin based adhesive coatings and sealants for general use. (3) Utility poles, utility pole cross arms, and utility lights. (4) Sporting goods and equipment, namely hockey sticks, hockey stick replacement shafts, hockey stick replacement blades. SERVICES: (1) Technical support services relating to the use of polyurethane based resins in manufacturing.	Registered Renewal due February 3, 2021
VERSION	Canada	Resin Systems Inc.	Application No. 1068608 Registration	Filing Date: July 26, 2000 Registration Date:	WARES: (1) Synthetic resins for use in the manufacture of molding compounds; resins in bars, blocks, pellets, rods, sheets and	Registered Renewal due

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
			No. TMA564,089	June 27, 2002	tubes for general industrial use; and resins in extruded form for general industrial use.	June 27, 2017
RSEAL	China	Resin Systems Inc.	Application No. 5264613	Filing Date: April 4, 2006 Registration Date: July 21, 2009	Technical support services namely the use of polyurethane based resins in manufacturing.	Registered Renewal Due July 13, 2019
RSTANDARD	China	Resin Systems Inc.	Application No. 5264616	Filing Date: April 4, 2006 Registration Date: July 14, 2009	Non-metal utility poles, utility pole cross arms.	Registered Renewal Due July 13, 2019
RSTANDARD	China	Resin Systems Inc.	Application No. 5264615	Filing Date: April 4, 2006 Registration Date: July 21, 2009	Technical support services relating to the use of polyurethane based resins in manufacturing.	Registered Renewal Due July 21, 2019
INFRASTRUCTURE FOR LIFE	European Community	Resin Systems Inc.	Application No. 7446041 Registration No. 7446041	Filing Date: November 26, 2008 Registration Date: February 17, 2010	Class 1: Polyurethane based resins, namely resins for use in polymer moulding processes. Class 2: Resin based adhesive coatings and sealants. Class 7: Rollers for use with conveyers; parts for rollers that are used with conveyers, namely, tubes, hubs, shafts, seals and bearings. Class 11: Utility lights. Class 19: Non-metal utility poles and utility pole cross arms. Class 42: Technical support services relating to the use of polyurethane based resins in manufacturing; materials handling consultancy services; research services relating to the development and testing of composite products for use in	Registered Renewal due Nov. 26, 2018

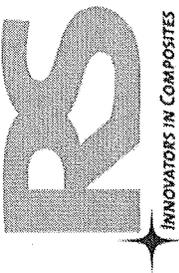
Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
RSTANDARD	European Community	Resin Systems Inc.	Application No. 5006945 Registration No. 5006945	Filing Date: March 23, 2006 Registration Date: April 10, 2007	infrastructure markets. Class 11: Utility lights. Class 19: Non-metal utility poles, and utility pole cross arms. Class 42: Technical support services relating to the use of polyurethane based resins in manufacturing.	Registered Renewal due March 23, 2016
RS INNOVATORS IN COMPOSITES & Design 	Republic of Korea	Resin Systems Inc.	Application No. 45-2006-1159 Registration No. 20314	Filing Date: April 3, 2006 Registration Date: June 25, 2007	Class 1: Polyurethane based resins for use in polymer molding processes. Class 11: Utility lights; namely, Street lamps, Safety lamps for underground use, Germicidal lamps for purifying air, Neon lamps, Lanterns, Dynamo lamps, Discharge lamps and their fittings, Incandescent lamps, Incandescent lamps and their fittings, Ultraviolet ray lamps, not for medical purposes, Germicidal lamps, Chandeliers, Water surface lamps, Mercury lamps, Aquarium lights, Spotlights, Arc lamps, Safety lamps, Diving lights, Fairy lights for festive decoration, Infrared lamps, Torches for lighting, Fish gathering lamp, Ceiling lights, Fairy lights for festive decoration, Lights, electric, for Christmas trees, Standard lamps, Searchlights, Artificial solar lamp, Floodlights, Fluorescent lamps, Pocket searchlights. Class 42: Technical support services relating to the use of polyurethane based resins in manufacturing; namely, chemistry based resins in manufacturing, research services relating to the use of polyurethane based resins in manufacturing, research and analysis of chemistry relating to the use of polyurethane based resins in manufacturing, research and development relating to the use of polyurethane based resins in manufacturing.	Registered Renewal due June 25, 2017
RSTANDARD	Republic of Korea	Resin Systems Inc.	Application No. 45-2006-1160	Filing Date: April 3, 2006	Class 11: Utility lights; namely, Street lamps, Safety lamps for underground use, Germicidal lamps for purifying air, Neon	Registered

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
			Registration No. 45-19392	Registration Date: March 22, 2007	lamps, Lanterns, Dynamo lamps, Discharge lamps and their fittings, Incandescent lamps, Ultraviolet ray lamps, not and their fittings, Germicidal lamps, for medical purposes, Mercury lamps, Aquarium lights, Spotlights, Arc lamps, Safety lamps, Diving lights, Fairy lights for festive decoration, Infrared lamps, Torches for lighting, Fish gathering lamp, Ceiling lights, Fairy lights for festive decoration, Lights, electric, for Christmas trees, Standard lamps, Searchlights, Artificial solar lamp, Floodlights, Fluorescent lamps, Pocket searchlights. Class 19: Framework not of metal for building, Moldings not of metal for building, Plaster siding not of metal for building, Flashing not of metal for building, Wall linings not of metal for building, Reinforcing materials not of metal for building, Cardboards not of metal, for building, Building panels not of metal, Porches not of metal for building, Surfacing not of metal for building, Chimney pots not of metal, Crash barriers not of metal for roads, Tunnelling materials not of metal [except mine timber], Duckboards not of metal, Trellises not of metal, Staircases not of metal, Chimneys [not of metal], Chimney cowls not of metal, Handrails knobs not of metal, Outer doors not of metal, Door panels not of metal, Joists not of metal, Laths not of metal, Mantelpiece not of metal non-metallic manholes, Manhole covers not of metal Laths not of metal, Mantelpiece not of metal, Non-metallic manholes, Manhole covers not of metal, Gates not of metal, Door stops not of metal, Door frames not of metal, Gutters not of metal, Gutter pipes not of metal, Eave gutters not of metal,	Renewal due March 22, 2017

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
VERSION	Republic of Korea	Resin Systems Inc.	Application No. 40-2006- 17261 Registration No. 40-712932	Filing Date: April 3, 2006 Registration Date: June 11, 2007	<p>Flooring not of metal, Floors not of metal, Barricades not of metal, Scaffolding not of metal, Drain pipes not of metal, Wall panels not of metal, Wall boards not of metal, Branching pipes not of metal, Lintels not of metal, Shutters not of metal, Water-pipes not of metal, Penstock pipes [not of metal], Stringers not of metal, Sheet piles not of metal, Underdrainage pipe not of metal, Casement windows not of metal, Sliding doors not of metal, Foundry molds [moulds] not of metal, Shingle not of metal, Roof flashing not of metal, Hips for roofing not of metal, Wainscoting not of metal, Windows not of metal, Window rails not of metal, Window handles not of metal, Window frame pulleys not of metal, Lattice work not of metal, Window frames not of metal, Window frame system units not of metal, Ceiling decorations not of metal, Ceiling boards not of metal, Partitions not of metal, Cornices not of metal, Rotary window fasteners not of metal, Shuttering not of metal for concrete, Synthetic resins-faced sheets.</p> <p>Class 42: Technical support services relating to the use of polyurethane based resins in manufacturing; namely, chemistry services relating to the use of polyurethane based resins in manufacturing, research and analysis of chemistry relating to the use of polyurethane based resins in manufacturing, research and development relating to the use of polyurethane based resins in manufacturing.</p>	Registered Renewal due June 11, 2017

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
					<p>worked] Plastic oil fences, Laminated boards of plastic, Boards and plates of plastic, Plastic film other than for wrapping, Plastic hoses, plastic film [semi-worked], Rubber tubes and pipes, Rubber bars and rods, Rubber sheets, Rubber hoses other than for firefighting, Guttapercha, Latex [rubber], Liquid rubber, raw or semi-worked, Balata, Crude rubber, Reclaimed rubber, Foam rubber, Nitrile rubber, Nitrile butadiene rubber, Butyl rubber, Fluoro rubber, Styrene-butadiene rubber, Synthetic polybutadiene rubber, Silicone rubber, Acrylic rubber, Ethylene vinyl acetate rubber, Ethylene propylene rubber, Ethylene propylene diene rubber, Epichlorohydrin rubber, Urethane rubber, Isobutylene-isoprene rubber, Chloro sulfonated polyethylene rubber, Polybutadiene rubber, Polyolefin sulphide rubber, Polyolefin oxide rubber, Polyisoprene rubber, Poly chloroprene rubber, Poly pentamer rubber, Propylene oxide rubber, Vulcanite [ebonite], Polysulfide rubber, Polysulfide rubber, MNA craft rubber, Hydro chlorinated rubber, Hydrochloric acidified rubber, Chlorinated rubber, Sulfide rubber, Sacks of rubber for wrapping, Rubber sealing caps, Rubber caps for packaging bottles, Rubber stoppers for packaging bottles, Rubber lids for packaging containers, Rubber stopper for packing containers, Asbestos soles, Washers of rubber or vulcanized fiber [fibre], Soundproof enclosure, Soundproofing materials, Asbestos boards, Acoustic plates, plates, Reinforcing materials, not of metal, for pipes, Sound absorption plates, Asbestos safety curtains, Asbestos screens for firemen, Rubber hose for firefighting, Hoses of textile material for firefighting, Canvas hose pipes for fire-</p>	

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
VROLL	Republic of Korea	Resin Systems Inc.	Application No. 40-2006- 17263 Registration	Filing Date: April 3, 2006 Registration	<p>fighting, Gaskets, Rings of rubber, Rubber packing, Non-metallic pipe couplings, Asbestos packing, Cork packings, Valves of india-rubber or vulcanized fiber [fibre], Plastics materials for packing, Electrical insulating paper products, Electrical insulating rubber products, Electrical insulating duct products, Electrical insulators, Electrical insulating mica products, Electrical insulating fabric products, Compound materials for electric insulation, Electrical insulating paints, Electrical insulating oils, Tape (Insulating), Horseshoes, not of metal, Insulating gloves, Vulcanized fiber [fibre] not for textile use, Semi-synthetic fiber not for textile use, Aramid fibers [not for textile use], Artificial wools [not for textile use], Regenerated fibers [not for textile use], Plastic fibers [fibres], not for textile use, Synthetic fibers [not for textile use], Mineral wool [insulator], Slag wool [insulator], Carbon fibers [fibres], other than for textile use, Asbestos fibers [fibres], Rock wool, Threads of rubber, not for use in textiles, Semi-synthetic fiber thread and yarn [chemically treated natural fiber thread and yarn not for textile use], Regenerated fiber thread and yarn [not for textile use], Elastic yarns, not for use in textiles, Threads of plastic materials, not for textile use, Covered rubber thread and yarn [not for textile use], Synthetic fiber thread and yarn [not for textile use], Asbestos yarn, Asbestos fabrics, Asbestos felt, Rubber cords, Asbestos cords and strings, Asbestos nets.</p>	Registered Renewal due
					Class 7: Rollers for use with conveyers, Parts for rollers that are used with conveyers, namely, tubes, hubs, shafts, seals and bearings	Registered Renewal due

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
RS	U.S.A.	Resin Systems Inc.	No. 40-682541 Application No. 78/445,405 Registration No. 3,408,964	Date: October 20, 2006 Filing Date: July 2, 2004 Registration Date: April 8, 2008	Class 001: Polyurethane based resins. Class 019: Non-metal utility poles and utility pole cross arms. Class 042: Technical consultation relating to the use of polyurethane based resins in manufacturing.	October 20, 2016 Registered Renewal due April 8, 2018 Declaration of Use due April 8, 2014
RS INNOVATORS IN COMPOSITES (Black and White) 	U.S.A.	Resin Systems Inc.	Application No. 78/834365 Registration No. 3,426,864	Filing Date: March 10, 2006 Registration Date: May 13, 2008	Class 001: Polyurethane based resins, namely resins for use in polymer molding processes. Class 002: Resin based adhesive coatings for general use. Class 011: Utility lights. Class 017: Resin based sealants for general use. Class 019: Non-metal utility poles and utility pole cross arms. Class 042: Technical support services relating to the use of polyurethane based resins in manufacturing, namely, research and development for others, chemistry services, chemical analysis and research, material testing, physics research, provision of technical advice and recommendations trouble shooting for industrial process control.	Registered Renewal due May 13, 2018 Declaration of Use due May 13, 2014
RS INNOVATORS IN COMPOSITES (Colour) 	U.S.A.	Resin Systems Inc.	Application No. 78/834360 Registration No. 3,426,863	Filing Date: March 10, 2006 Registration Date: May 13, 2008	Class 001: Active – Polyurethane based resins, namely resins for use in polymer molding processes. Class 002: Resin based adhesive coatings for general use. Class 011: Utility lights. Class 017: Resin based sealants for general use. Class 019: Non-metal Utility poles and utility pole cross arms. Class 042: Technical support services	Registered Renewal due May 13, 2018 Declaration of Use due May 13, 2014

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
RSEAL	U.S.A.	Resin Systems Inc.	Application No. 78/445284 Registration No. 3,516,452	Filing Date: July 2, 2004 Registration Date: October 14, 2008	relating to the use of polyurethane based resins in manufacturing, namely, research and development for others, chemistry services chemical analysis and research, material testing, physics research, provision of technical advise and recommendations, trouble shooting for industrial process control. Class 002: Coatings for use in corrosion prevention in industrial applications. Class 042: Technical consultation relating to the use of coatings for use in corrosion prevention in manufacturing.	Registered Renewal due October 14, 2018 Declaration of Use due October 14, 2014
RSTANDARD	U.S.A.	Resin Systems Inc.	Application No. 78/445380 Registration No. 3,422,807	Filing Date: July 2, 2004 Registration Date: May 6, 2008	Class 019: Nonmetal utility poles and nonmetal utility pole cross arms. Class 042: Technical consultation relating to the use of polyurethane based resins in manufacturing.	Registered Renewal due May 6, 2018 Declaration of Use due May 6, 2014
STRONGER, LIGHTER, GREENER	U.S.A.	Resin Systems Inc.	Application No. 78/445426 Registration No. 3,386,221	Filing Date: July 2, 2004 Registration Date: February 19, 2008 +	Class 001: Polyurethane based resins. Class 019: Non-metal utility poles and utility pole cross arms; sporting facility side-boards. Class 028: Sporting goods and equipment, namely, hockey sticks, hockey stick replacement shafts, hockey stick replacement blades, water skis, snow skis, surfboards, all-terrain boards, skateboard ramps, knee pads, elbow pads, wrist guards, shin guards, tennis racquet frames, squash racquet frames, badminton racquet frames, racquetball racquet frames, baseball bats, cricket bats, fishing rods, curling broom handles, pole vault rods, ski-	Registered Renewal due February 19, 2018 Declaration of Use due February 19, 2014

Trade-mark	Country	Applicant/ Registered Owner	Application / Registration No.	Filing/ Registration Date	Wares & Services	Case Status
VERSION	U.S.A.	Resin Systems Inc.	Application No. 76/199064 Registration No. 2,536,250	Filing Date: January 24, 2001 Registration Date: February 5, 2002	poles, ringettes shafts, ice skates, in-line skates, net support poles, soccer nets, hockey nets, football uprights, basketball posts, basketball back-boards. Class 042: Technical consultation relating to the use of polyurethane based resins in manufacturing. Class 017: Synthetic resins for use in the manufacture of molding compounds; resins in bars, blocks, pellets, rods, sheets and tubes for general industrial use; and resins in extruded form for general industrial use.	Registered Renewal due February 5, 2012

Intellectual Property Licensed to the Corporation.

Canada

N/A

USA

N/A

Other Licences

N/A

Encumbrances

The Intellectual Property of the Corporation is subject to the General Security Agreements in place for its Senior Lenders.

Claims

N/A

Schedule "D"

LOCATIONS OF THE COLLATERAL

A. Municipal/Legal Address of Location of Collateral or Locations Where Corporation Carries on Business

233 Mayland Place NE
Calgary, AB T2E 7Z8

22 Industrial Park Road
Tilbury, ON N0P 2L0

B & B Storage & Warehousing
1 Louise
Tilbury, ON N0P 2L0

5929 - 6th Street NE
Calgary, AB T2K 5R5

B. Chief Executive Office of the Corporation

233 Mayland Place NE
Calgary, AB T2E 7Z8

Schedule "E"

**LEGAL DESCRIPTIONS AND MUNICIPAL ADDRESSES
OF REAL PROPERTY AND LEASED PREMISES**

Legal Description	Municipal Address
Condominium Plan 0010627, Unit 1, and 1889 undivided one ten thousandth share in the common property excepting thereout all mines and minerals	233 Mayland Place NE Calgary, AB T2E 7Z8
PT LT 15, CON 4, (Tilbury East) as in 224966 S/T 132143 Tilbury	22 Industrial Park Road Tilbury, ON N0P 2L0
Plan 8111413, Block 1, Lot 3, excepting thereout all mines and minerals and the right to work same	5929 -6th St. NE Calgary, AB T2K 5R5
Plan 7810454, Lot 12, Block 4	Unit 16, 1305 – 33 rd St NE Calgary AB T2A 5P1 (subleased to the Gallery of Fine Cars Inc, and Acneworks Digital Film Inc.)
	B & B Storage & Warehousing 1 Louise, Tilbury, ON N0P 2L0

Schedule "F"

SENIOR LENDER CREDIT FACILITIES

Demand non-revolving loan in the aggregate principal amount of \$7,000,000 in favour of Canadian Western Bank.

Schedule "G"

SPECIFIED EQUIPMENT LEASES

1. Lease #459087 - lease with Ryder Finance Corporation dated May 21, 2010 for 2010 Clark C70 Forklift, S/N P680L00399776; 60-month term with monthly payments of \$1,027.73.
2. Contract 629212/629213 with Pitney Bowes dated October 14, 2009 for two (2) MX-5001 photocopier machines and related parts and services; 12-month term with monthly payments of \$3,216.
3. Contracts with Xerox Canada Ltd.:
 - a. 426-624-300 dated August 25, 2008 for Workcentre 7232, monthly payments of \$283.63 until August 24, 2013; and
 - b. 440-395-200 dated June 10, 2009 for Phaser 8560 MFP D, monthly payments of \$124.20 until May 10, 2013.

Schedule "H"

SPECIFIC COLLATERAL

Make	Model	Year of Manufacture	Serial Number
Dodge	Ram	2001	1B7HC16Y91S264532

Schedule "I"

AFFILIATES AND SUBSIDIARIES

Name: RS Advanced Structures Inc.
Registered Office Address: Suit3 4400, 181 Bay St.
Toronto, ON M5J LT3
Jurisdiction of Incorporation: Ontario
Issued and Outstanding Shares: 100 common shares
Shareholders: RS Technologies Inc.

Name: Resin Systems (USA) Inc.
Registered Office Address: 1201 North Market Street
PO Box 1347
Wilmington, Delaware, 19807
Jurisdiction of Incorporation: Delaware, USA
Issued and Outstanding Shares: 1000 shares
Shareholders: RS Technologies Inc.

Schedule "J"

EMPLOYMENT PROCEEDINGS

See Robison employment-related litigation item as detailed in Schedule "K".

SCHEDULE "K"

LITIGATION

1. Action Q1101 00945 - Employment matter with Charles Robison, a former employee seeking \$200,000 and alleging inducement away from a previous position with a prior employer, prior to his joining RS Technologies Inc. Discoveries have occurred and the Corporation has filed a formal offer with the Court that the Corporation and its counsel believes is well in line with that which the common law would ordinarily afford such a complainant.
2. Action Q1001 18235 - Contract dispute with Shaw Communications Inc. and Shaw Real Estate Ltd. (collectively "**Shaw**") relating to the Corporation's former office premises and the termination of the Corporation's lease with Shaw. In response to the Corporation's statement of claim, Shaw filed a statement of defence and counterclaim that seeks, among other things, damages in the amount of \$29,232.19 and damages for all future rent under the lease in question, less any amounts recovered through mitigation by reletting the premises.
3. Action Q0901 06413 - Contract dispute with the Global Vehicle Systems Inc., a company related to the Corporation's former contract manufacturer, Global Composite Manufacturing Inc., who failed to deliver a pultrusion machine to the Corporation as had been designed and specified for use by the Corporation. Counsel for the Corporation and for Global Vehicle Systems Inc. are currently in discussions regarding executing mutual releases and discontinuances of action on a no-costs basis.

SCHEDULE "L"

ADVANCE GRID

Advance Date	Advance Amount
July 5, 2011	\$1,100,000.00
August 2, 2011	\$1,200,000.00
September 19, 2011	\$150,000.00
October 28, 2011	\$200,000.00
November 4, 2011	\$100,000.00
November 10, 2011	\$200,000.00
November 21, 2011	\$100,000.00
November 28, 2011	\$200,000.00
November 30, 2011	\$100,000.00
December 5, 2011	\$200,000.00
December 12, 2011	\$150,000.00
December 20, 2011	\$150,000.00
December 23, 2011	\$200,000.00
January 4, 2012	\$80,000.00
May 30, 2012	\$150,000.00
June 28, 2012	\$500,000.00
August 31, 2012	\$550,000.00
November 1, 2012	\$510,000.00
December 12, 2012	\$150,000.00
Total	\$5,990,000.00

SCHEDULE "M"

NOTICE OF CONVERSION

TO: RS TECHNOLOGIES INC.

The **UNDERSIGNED HOLDER** of this Debenture hereby irrevocably elects to convert \$_____ of the principal and \$_____ of interest owing under the Debenture dated _____, 2011 issued by **RS TECHNOLOGIES INC.** (the "**Corporation**") to the undersigned (the "**Debenture**"), into Common Shares the capital of the Corporation at the conversion price of \$_____ per Share in accordance with the terms of the Debenture, and directs that a certificate for such Shares deliverable and issuable upon conversion be issued and delivered to the Holder at the address specified below.

Capitalized terms used herein but not otherwise defined have the meanings ascribed thereto in the Debenture to which this Notice of Conversion relates.

DATED effective _____, 2011.

(Signature of Registered Holder)

Name: _____

(Address)

(City and Province)

*Print name above in which the Shares issued on conversion are to be issued, delivered and registered, if not the Holder.

SCHEDULE "N"

MATERIAL CONTRACTS

Distribution Agreement dated November 17, 2009 between the Corporation and HD Supply Utilities, Ltd. ("**HD**").
The Corporation believes, as at the date hereof, HD is in default of such agreement.

SCHEDULE "O"

FORM OF ADVANCE REQUEST

To: Werklund Capital Corporation
4500 Canterra Tower
400 - 3rd Ave SW
Calgary AB T2P 4H2

Dear Sir:

1. Reference is made to the Debenture made as of _____, 2011 between RS Technologies Inc., as borrower (the "Corporation"), and Werklund Capital Corporation, as lender (the "Secured Party"), as it may be further amended, supplemented, restated or replaced from time to time (the "Debenture"). All terms and expressions used herein but not otherwise defined, shall have the same meanings herein as ascribed thereto in the Debenture.
2. Pursuant to the Debenture, the Corporation hereby requests the following Advance as set forth below:
 - a. Advance Date: _____
 - b. Amount of Advance: \$ _____
 - c. Special Instructions (if any): _____
3. The Corporation promises to pay to the Secured Party, the sum set out above plus any interest payable thereon at the rates specified in the Debenture, on the terms and conditions set out in the Debenture.
4. This Notice is irrevocable.
5. The Corporation confirms and certifies to the Secured Party that as of the date hereof and as of the Advance Date:
 - a. Each representation and warranty set forth in the Debenture is or will be true and correct in all material respects as of such date *[except for the representations and warranties contained in sections • and • which the Corporation has notified the Secured Party in writing cannot be made for such Advance and which the Secured Party has waived in writing]*;
 - b. No Event of Default has occurred and is continuing or will result from such Advance;
 - c. It has performed or observed or caused to be performed or observed the covenants set forth in the Debenture to be performed or caused by it to the date hereof;
 - d. No Material Adverse Change has occurred and is continuing or will result from such Advance; and
 - e. The proceeds of the requested Advance will be used for the purposes of _____.

Dated this ____ day of _____, 20__.

RS TECHNOLOGIES INC.

Per: _____

SCHEDULE "P"
INITIAL CASH FLOW BUDGET