

GENERAL SECURITY AGREEMENT

THIS AGREEMENT is made the • day of •, 199•, between •, a corporation incorporated under the laws of the Province of Ontario (herein called the “Debtor”) whose principal office or place of business is located at • (the “Chief Executive Office”) and • (herein called the “Secured Party”), whose principal office is located at •.

NOW THEREFORE in consideration of the sum of \$1 of lawful money of Canada paid by each of the parties hereto to the other and in consideration of the mutual covenants and obligations herein contained, the receipt and sufficiency whereof are hereby acknowledged, it is agreed by and between the parties hereto as follows:

ARTICLE 1

GRANT OF SECURITY INTEREST

1.1 As a general and continuing security for the payment and performance of any and all indebtedness, obligations and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Debtor to the Secured Party or remaining unpaid by the Debtor to the Secured Party wheresoever and howsoever incurred and howsoever evidenced, whether arising from dealings between the Secured Party and the Debtor or from other dealings or proceedings by which the Debtor may be or become in any manner indebted, obligated or liable to the Secured Party and wherever incurred and in any currency and whether incurred by the Debtor alone or with another or others and whether as principal, guarantor, or surety, including expenses under paragraphs 3.5 and 3.16 of this Agreement and all interest, commissions, cost of realization, legal and other costs, charges and expenses (all of the foregoing being herein called the “Obligations”) the Debtor for good and valuable consideration hereby grants to the Secured Party a continuing security interest in, the following property (the “Collateral”), wherever located:

(a) **Accounts Receivable.** All debts, book debts, accounts, claims, demands, moneys and choses in action whatsoever whether or not earned by performance including, without limitation, claims against the Crown and claims under insurance policies, which are now owned by or are due, owing or accruing due to the Debtor or which may hereafter be owned by or become due, owing or accruing due to the Debtor and all contracts, security interests and other rights and benefits in respect thereof (all of the foregoing being herein collectively called the “accounts”);

(b) **Inventory.** All inventory or whatever kind now or hereafter owned by the Debtor including, without limitation, all goods, merchandise, raw materials, goods in process, finished goods and other tangible personal property now or hereafter held for sale, lease or resale or that are to be furnished or have been furnished under a contract of service or that are used or consumed in the business of the Debtor and all goods used for packing, all livestock and the young thereof after conception and all crops which become such within one year after the date of execution hereof (all of the foregoing being herein collectively called the “inventory”);

(c) **Equipment.** All goods now or hereafter owned by the Debtor which are not inventory or consumer goods as defined in the Personal Property Security Act (Ontario) (“PPSA”) including, without limitation, fixtures, equipment, machinery, vehicles, plant, tools, furniture, all spare parts and accessories installed in or attached to any of the foregoing and all drawings, specifications, plans and manuals relating thereto and other tangible personal property, whether described in Schedule “A” hereto, or not (all of the foregoing being herein collectively called the “equipment”);

(d) **Chattel Paper, Instruments, Securities, etc.** All chattel paper, warehouse receipts, bills of lading and other documents of title, whether negotiable or non-negotiable, shares, stock, warrants, bonds, debentures, debenture stock or other securities, now or hereafter owned by the Debtor;

(e) **Books and Accounts, etc.** With respect to the personal property described in subparagraphs (a) and (d), all books, accounts, invoices, letters, papers, security certificates, documents and other records in any form evidencing or relating thereto and all contracts, securities, instruments and other rights and benefits in respect thereof;

(f) **Documents of Title.** All present and future documents of title of the Debtor, whether negotiable or otherwise including all warehouse receipts and bills of lading (“documents of title”);

(g) **Chattel Paper.** All present and future agreements made between the Debtor as secured party and others which evidence both a monetary obligation and a security interest in or a lease of specific goods (“chattel paper”);

(h) **Instruments.** All present and future bills, notes and cheques (as such are defined pursuant to the Bills of Exchange Act (Canada)), and all other writings that evidence a right to the payment of money and are of a type that in the ordinary course of business are transferred by delivery without any necessary endorsement or assignment (“instruments”);

(i) **Money.** All present and future money of the Debtor, whether authorized or adopted by the Parliament of Canada as part of its currency or any foregoing government as part of its currency (“money”);

(j) **Securities.** All present and future securities held by the Debtor, including shares, options, rights, warrants, joint venture interests, interests in limited partnerships, bonds, debentures and all other documents which constitute evidence of a share, participation or other interest of the Debtor in property or in an enterprise or which constitute evidence of an obligation of the issuer; and including an uncertificated security within the meaning of Part VI (Investment Securities) of the Business Corporations Act (Ontario) and all substitutions therefor and dividends and income derived therefrom (“securities”);

(k) **Undertaking.** All present and future personal property, business, and undertaking of the Debtor not being inventory, equipment, accounts, intangibles, documents of title, chattel paper, instruments, money, securities or documents (“undertaking”);

(l) **Intangibles.** All intangible property now or hereafter owned by the Debtor including, without limitation, all contractual rights, goodwill, patents, trade marks, copyrights, industrial designs and other industrial or intellectual property or rights therein and all other choses in action of the Debtor of every kind, whether due at the present time or hereafter to become due or owing (all of the foregoing herein collectively called “intangibles”);

(m) **Replacements, etc.** With respect to the personal property described in subparagraphs (a) to (l) inclusive, all substitutions and replacements thereof, increases, additions and accessions thereto and any interest of the Debtor therein;

(n) **Real Estate.** All real and immovable property, both freehold and leasehold, now or hereafter owned or acquired by the Debtor, together with all buildings, erections, improvements and fixtures situate thereupon or used in connection therewith, including any lease, verbal or written or any agreement therefor, (all of which property is hereinafter collectively called “Real Estate”) provided, however, the last day of any term of any such lease, verbal or written, or any agreement therefor now held or hereafter held by the Debtor, is excepted out of Real Estate charged by this Agreement, but should such charge become enforceable the Debtor shall thereafter stand possessed of any such reversion upon trust to assign and dispose thereof as the Secured Party may direct; and

(o) **Proceeds.** With respect to the personal property described in subparagraphs (a) to (n) inclusive, personal property in any form or fixtures derived directly or indirectly from any dealing with such property or that indemnifies or compensates for such property destroyed or damaged and proceeds of proceeds whether of the same type, class or kind as the original proceeds.

Terms used herein and defined in the PPSA shall have the same meanings as in the PPSA unless the context otherwise requires. In this Security Agreement, any reference to “Collateral” shall, unless the context otherwise requires, refer to “Collateral or any part thereof”. In this Security Agreement, “Collateral” shall include proceeds thereof.

1.2 The grant of the security interest herein provided for includes, without limitation, a fixed mortgage, hypothecation, pledge, charge and assignment of the Collateral in favour of the Secured Party and the term “security interest” shall include, without limitation, a fixed mortgage, hypothecation, pledge, charge and assignment.

1.3 The Debtor and the Secured Party agree that they intend the security interest hereby granted to attach upon the execution of this Security Agreement, that each type of collateral attaches separately and they do not intend attachment to be postponed. The Debtor hereby acknowledges that value has been given.

1.4 The last day of the term of any lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Debtor shall be excepted from the security interest hereby granted and shall not form part of the Collateral but the Debtor shall stand possessed of such one day remaining, upon trust to assign and dispose of the same as the Secured Party or any assignee of such lease or agreement shall direct. If any such lease or agreement therefor contains a provision which provides in effect that such lease or agreement may not be assigned, sub-leased, 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 shall be conditional upon such leave, licence, consent or approval being obtained.

1.5 Without limiting the generality of the description of Collateral as set out in paragraph 1.1, for greater certainty the Collateral shall include all present and future personal property of the Debtor located on or about or in transit to or from the address of the Debtor set out on the first page of this Agreement and the location(s) set out in any Schedule "C" attached hereto, and all present and future personal property of the Debtor of the nature or type described in any Schedule "A" attached hereto. The Debtor agrees to promptly inform the Secured Party in writing of the acquisition by the Debtor of any personal property which is not of the nature or type described herein, and the Debtor agrees to execute and deliver at its own expense from time to time amendments to this Agreement or additional security agreements as may be reasonably required by the Secured Party in order that the Security Interest shall attach to such personal property.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES

The Debtor represents and warrants to and in favour of the Secured Party as follows:

2.1 The Debtor is validly incorporated and organized and is a valid and subsisting corporation under the laws of its jurisdiction of incorporation and has all necessary power and authority to own its property and assets and to carry on its business as at present carried on by it and holds all necessary licences, permits and consents as are required so to own its property and assets and so to carry on business in each jurisdiction in which it does so.

2.2 The Debtor has the power, capacity, full legal right and corporate authority to enter into this Security Agreement, to grant the security interest contained herein and to do all acts and things as are required or contemplated hereunder or thereunder to be done, observed and performed by it.

2.3 The Debtor has taken all necessary corporate action to authorize the creation, execution, delivery and performance of this Security Agreement.

2.4 The execution of this Security Agreement and the grant of the security interest hereunder does not require the approval of any regulatory agency having jurisdiction over the Debtor and is not in contravention of or in conflict with the articles, by-laws or resolutions of directors or shareholders of the Debtor or of the provisions of any indenture, instrument, agreement or undertaking to which the Debtor is a party or by which all or any part of its property or assets may be bound nor of any statute, regulation, by-law, ordinance or other law, nor of any judgment, decree, ruling or order to which the Debtor or its property and assets may be subject. No such action will oblige the Debtor to grant any security interest to any person other than the Secured Party.

2.5 Subject only to the security interest granted to the Secured Party pursuant to the terms hereof and any security interests listed on Schedule "B" hereto, the Debtor has good and marketable title to the Collateral, free and clear of all security interests, liens or other encumbrances whatsoever. The Debtor is, or is to become, the beneficial owner of the Collateral.

2.6 The equipment described in Schedule "A" hereto comprises a full detailed and complete list of all goods and chattels now owned by the Debtor which are not inventory or consumer goods, and the collateral hereby secured does not include any consumer goods.

2.7 This Security Agreement constitutes a valid and legally binding obligation of the Debtor enforceable against the Debtor in accordance with its terms.

2.8 The Debtor's principal place of business (the "Chief Executive Office") is located at the address of the Debtor set out in the first page of this Agreement and the other location(s) where it keeps the Collateral (except where the Collateral is in transit to and from such premises or except when it is on lease or consignment to any lessee or consignee from the Debtor), including its records respecting the accounts, is at the addresses listed on Schedule "C", and at no other place.

ARTICLE 3

COVENANTS OF DEBTOR

The Debtor covenants and agrees with the Secured Party as follows:

3.1 The Debtor shall diligently maintain, use and operate the Collateral and shall carry on and conduct its business in a proper and efficient manner so as to preserve and protect the Collateral and the earnings, incomes, rents, issues and profits thereof.

3.2 The Debtor shall keep proper books of account in accordance with sound accounting practice and the Debtor shall furnish to the Secured Party such financial information and statements relating to its business and the Collateral as the Secured Party may from time to time require and the Debtor shall permit the Secured Party or its authorized agent at any time, at the expense of the Debtor, to have access to all premises occupied by the Debtor or any place where the Collateral may

be found in order to inspect the Collateral and to examine the books of account and other financial records and reports of the Debtor including but not limited to books of account and other financial records and reports relating to the Collateral and to have temporary custody thereof and to make copies thereof and take extracts therefrom and shall at the request of the Secured Party mark the Collateral to indicate clearly the security interest of the Secured Party.

3.3 The Debtor shall pay all rents, taxes, rates, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same shall become due and payable and shall exhibit to the Secured Party, when required, the receipts and vouchers evidencing such payments.

3.4 Except for any security interests listed on Schedule "B" and purchase-money security interests on property hereafter acquired by the Debtor granted to a secured party who has complied with the PPSA with respect thereto, the Debtor shall keep the Collateral free at all times from any and all security interests, deemed trusts, liens or other encumbrances of whatsoever nature, kind or priority other than those in favour of the Secured Party and shall defend the title to the Collateral against all persons and shall not permit the Collateral to become an accession to any property not subject to the security interest granted by this Security Agreement or to become a fixture unless the security interest of the Secured Party ranks prior to the interests of all persons in the realty.

3.5 The Debtor shall cause all of the Collateral which is of a character usually insured by businesses owning or operating Collateral of a similar nature to be properly insured and kept insured with reputable insurers acceptable to the Secured Party against loss or damage by fire or other risks and hazards usually insured against by businesses owning or operating Collateral of a similar nature in such amounts, containing such terms, in such form and for such purposes as may be satisfactory to the Secured Party. Loss under such insurance shall be payable to the Secured Party as its interest may appear and such insurance shall contain a mortgage clause acceptable to the Secured Party. The Debtor shall, at the Secured Party's request, provide satisfactory evidence that such insurance has been effected and that loss thereunder is payable to the Secured Party as its interest may appear and any other information relating to such insurance as the Secured Party may require. If the Debtor fails to maintain satisfactory insurance, the Secured Party may, at its option, obtain such insurance at the expense of the Debtor and the Debtor shall forthwith repay all costs and expenses incurred by the Secured Party in connection therewith with interest at the highest rate per annum charged by the Secured Party on the Obligations or any part thereof and all such costs and expenses and interest thereon shall become part of the Obligations and shall be secured by this Security Agreement.

3.6 The Debtor shall duly observe and comply with all requirements of any governmental authority applicable to the Collateral or its use and operation and shall observe and comply with all covenants, terms and conditions upon or under which the Collateral is held.

3.7 The Debtor shall at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all and singular every such further acts, deeds, transfers, assignments, security agreements and assurances as the Secured Party may reasonably require for the better granting, transferring, assigning, charging, setting over, assuring, confirming and/or

perfecting the security interest of the Secured Party in the Collateral pursuant to this Security Agreement. The Debtor hereby constitutes and appoints the manager or acting manager of the Secured Party at its above address, or any receiver appointed by the Court or the Secured Party as hereafter set out, the true and lawful attorney of the Debtor irrevocably with full power of substitution to do, make and execute all such assignments, documents, acts, matters or things with the right to use the name of the Debtor whenever and wherever it may be deemed necessary or expedient.

3.8 The Debtor shall not, except as otherwise permitted hereunder, remove, destroy, lease, sell or otherwise dispose of any of the Collateral; provided that the Debtor may sell or otherwise dispose of equipment which has become worn out or damaged or otherwise unsuitable for its purpose on condition that it shall substitute therefor, subject to the security interest created hereby and free from other security interests, property of equal value so that the security hereby constituted shall not thereby be in any way reduced or impaired; and provided further that the Debtor may, in any calendar year, remove, destroy, lease, sell or otherwise dispose of equipment having an aggregate fair market value not in excess of ■ (\$■) Dollars.

3.9 The Debtor shall notify the Secured Party in writing:

- (i) at least twenty (20) days prior to any change of name of the Debtor;
- (ii) at least twenty (20) days prior to any transfer of the Debtor's interest in any part of the Collateral, not expressly permitted hereunder;
- (iii) promptly of the details of any significant acquisition of the Collateral;
- (iv) promptly of any loss of or damage to the Collateral; and
- (v) at least twenty (20) days prior to any change in the Chief Executive Office address or the location(s) set forth on Schedule "C" hereto, of the Collateral and any records relating thereto.

3.10 The Debtor shall not, without the prior written consent of the Secured Party, directly or indirectly change the nature of its business or amalgamate or otherwise merge with any person or permit all or a substantial portion of its property or assets to become the property of any other person and shall not do any act or thing that would materially adversely affect its business, financial condition, assets or position or its ability to carry on its business as now conducted by it and shall not permit any of its subsidiaries to do any of the foregoing.

3.11 The Debtor shall not, without the prior written consent of the Secured Party, pay, declare or set aside for payment any dividends or other distribution on account of shares of any class of stock of the Corporation, nor make any other distribution in cash or in specie on account of shares or capital, whether by reduction, redemption or cancellation of capital or otherwise.

3.12 The Debtor shall furnish to the Secured Party such information with respect to the Collateral and the Debtor and its business as the Secured Party may from time to time require and shall give written notice to the Secured Party of all proceedings before any court, administrative board or other tribunal, which could materially affect the Debtor or the Collateral.

3.13 The Debtor shall not, without the prior consent in writing of the Secured Party, create any security interest, mortgage, hypothec, charge, lien or other encumbrance upon the Collateral or any part thereof.

3.14 The Debtor shall, at the request of the Secured Party, provide the Secured Party with a complete description of all property of any nature or kind acquired by the Debtor after the execution of this Security Agreement.

3.15 The Debtor shall obtain a written agreement from each landlord of the Debtor in favour of the Secured Party and in form and substance satisfactory to the Secured Party, whereby such landlord:

- (i) agrees to give notice to the Secured Party of any default by the Debtor under the lease and a reasonable opportunity to cure such default prior to the exercise of any remedies by the landlord; and
- (ii) acknowledges the Security Interest and the right of the Secured Party to enforce the Security Interest in priority to any claim of such landlord.

3.16 Upon failure by the Debtor to observe or perform any of the covenants and Obligations set forth in this Security Agreement to be observed or performed by it, the Secured Party may take possession of the Collateral and, whether it has taken possession or not, perform any of such covenants and Obligations in any manner deemed proper by the Secured Party, without waiving any rights to enforce this Security Agreement. The reasonable expense (including the cost of any insurance and payment of taxes or other charges and legal fees and expenses on a solicitor and his own client scale) paid by the Secured Party in respect of the custody, preservation, use or operation of the Collateral, shall be deemed advanced to the Debtor by the Secured Party, shall bear interest at the highest rate per annum charged by the Secured Party on the Obligations or any part thereof, shall become part of the Obligations and shall be secured by this Security Agreement. In addition, the Debtor shall pay all reasonable expenses (including legal fees and expenses on a solicitor and his own client scale), incurred by the Secured Party in connection with the preparation, perfection, execution, protection, enforcement of and advice with respect to this Security Agreement (including, without limitation, the realization, disposing of, retaining, protecting or collecting the Collateral or any part thereof and the protection and enforcement of the rights of the Secured Party hereunder) and such expenses shall become part of the Obligations, shall bear interest at such highest rate per annum and shall be secured by this Security Agreement.

ARTICLE 4

COLLECTION OF PROCEEDS

4.1 The Debtor will (i) collect and enforce payment of all Collateral; (ii) receive and hold in trust for the Secured Party all payments received on or instruments received in respect of Collateral, all rights by way of suretyship or guarantee which the Debtor now has or may hereafter acquire to endorse payment of Collateral and all rights in the nature of a security interest whereby the Debtor may satisfy any Collateral out of property; (iii) endorse to the Secured Party and forthwith deliver to it all such payments and instruments in the form received by the Debtor; and (iv) forthwith deliver to the Secured Party all property in the Debtor's possession or hereafter coming into its possession through enforcement of any such rights.

4.2 The Secured Party may require an account debtor to make payment to the Secured Party and the Secured Party may hold all amounts acquired from any account debtors and any proceeds as part of the Collateral and as security for the Obligations.

ARTICLE 5

DEFAULT

5.1 The Obligations secured by this Security Agreement shall be immediately due and payable in full and the security hereby constituted shall become enforceable upon the happening of any of the following events (herein called a "default"):

(a) If the Debtor shall fail to make any payment of any of the Obligations when due;

(b) if the Debtor commits a breach of or fails to observe or perform any of the covenants, terms, or conditions contained in this Security Agreement or in any other agreement or instrument from time to time in effect between the Debtor and the Secured Party whether relating to the Obligations or not or if any representation or warranty of the Debtor contained herein shall prove to be false or incorrect in any material respect;

(c) if any guarantor (herein called a "Guarantor") of the Obligations commits a breach of or fails to observe or perform any covenant, term or condition contained in any agreement or writing to which the Guarantor and the Secured Party are parties;

(d) if the Debtor or any Guarantor ceases or threatens to cease to carry on its business;

(e) if the Debtor or any Guarantor fails to discharge immediately any judgment against it for the payment of money rendered against it;

(f) if there shall occur at any time any act or event of bankruptcy or insolvency (as defined or provided for in any applicable statute) of the Debtor or any Guarantor or if any proceedings, voluntary or involuntary, by or against the Debtor or any Guarantor under any statute or statutory provisions relating to bankruptcy, insolvency, liquidation or dissolution are commenced;

(g) if the Debtor or any Guarantor makes any proposal under the Bankruptcy Act, or if any proceedings with respect to the Debtor or any Guarantor or the property or assets of the Debtor or any Guarantor are commenced under the Companies Creditors Arrangement Act or if the Debtor or any Guarantor or the property or assets of the Debtor or any Guarantor become subject to the Winding-Up Act;

(h) if any receiver, receiver and manager, trustee, custodian, liquidator, agent or similar official is appointed for the Debtor or any Guarantor or for any property or assets of the Debtor or any Guarantor;

(i) if the Debtor or any Guarantor disposes of a substantial part of its property or assets or its undertaking without the prior written consent of the Secured Party;

(j) if the Debtor or any Guarantor or any property or assets of either of them becomes subject to any execution, sequestration or any other process of any court or to distress or any analogous process;

(k) if the Debtor fails to pay taxes, rates or charges when due, if any lien, inchoate or otherwise, upon the Collateral arises or could arise thereby;

(l) if the Secured Party in good faith believes and has commercially reasonable grounds to believe that the prospect of payment or performance of any Obligation is or is about to be impaired or that the Collateral is or is about to be placed in jeopardy or in danger of being lost, damaged or confiscated; and

(m) if the Debtor shall default under any instrument or agreement with respect to any indebtedness or other obligation of it to the Secured Party or any other person including, without limitation, any other creditor, if such default has resulted in, or may result in with notice or lapse of time or both, the acceleration of any such indebtedness or obligation in favour of such person or the right of the creditor thereunder to realize upon the Collateral.

5.2 The Secured Party may waive in writing any breach by the Debtor of any of the terms or provisions of this Security Agreement or any default under Section 5.1 hereof, provided always that no waiver shall be deemed to extend to a subsequent breach or default, whether or not the same as or similar to the breach or default waived and no act or omission by the Secured Party shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default or the rights of the Secured Party arising therefrom. Any waiver of such a breach or default must be in writing to be effective against and to bind the Secured Party.

ARTICLE 6

REMEDIES ON DEFAULT

If the security hereby constituted becomes enforceable, the Secured Party shall have, in addition to any other rights, remedies and powers which it may have at law, in equity or under the PPSA, the following rights, remedies and powers:

6.1 The Debtor shall forthwith upon demand assemble and deliver to the Secured Party possession of all of the Collateral at such place as may be specified by the Secured Party. The Secured Party may take such steps as it considers necessary or desirable to obtain possession of all or any part of the Collateral and to that end the Debtor agrees that the Secured Party, its servants or agents or receiver may at any time during the day or night enter upon lands and premises where the Collateral may be found for the purpose of taking possession of and removing the Collateral or any part thereof.

6.2 The Secured Party may sell, lease or otherwise dispose of all or any part of the Collateral as a whole or in separate parcels by public auction or private tender or by private contract with or without notice and with or without advertising and without any other formality, all of which are hereby waived by the Debtor and such sale, lease or disposition shall be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as to the Secured Party in its sole discretion may seem advantageous and any such sale, lease or disposition may take place whether or not the Secured Party has taken possession of the Collateral.

6.3 The Secured Party may, in addition to any other rights, appoint by instrument in writing a receiver or receiver and manager (both of which are herein called a "Receiver") of all or any part of the Collateral or may institute proceedings in any court of competent jurisdiction for the appointment of such a Receiver. Any such Receiver is hereby given and shall have the same powers and rights as the Secured Party has under this Security Agreement, at law or in equity. In exercising any such powers, any such Receiver shall act as and for all purposes shall be deemed to be the agent of the Debtor and the Secured Party shall not be responsible for any act or default of any such Receiver. The Secured Party may appoint one or more Receivers hereunder and may remove any such Receiver or Receivers and appoint another or others in his or their stead from time to time. Any Receiver so appointed may be an officer or employee of the Secured Party. The Debtor agrees that any Receiver appointed by the Secured Party need not be appointed by, nor is his appointment required to be ratified by nor his actions in any way supervised by, a court.

6.4 In the event of the Secured Party taking possession of the Collateral, or any part thereof, the Secured Party shall have the right to maintain the same upon the premises on which the Collateral may then be situate and for such purpose shall be entitled to the free use and enjoyment of all necessary buildings, premises, housing, stabling, shelter and accommodation and for its servants, agents or assistants. The Secured Party shall be entitled to use and employ any grain, hay or other fodder necessary for the proper feeding of any livestock so taken in possession by the Secured Party as aforesaid and the Debtor covenants and agrees to provide the same without cost or

expense to the Secured Party until such time as the Secured Party shall determine in its discretion to remove, sell or otherwise dispose of the Collateral so taken in possession by it as aforesaid.

6.5 The Secured Party may carry on or concur in the carrying on of, all or any part of the business or undertaking of the Debtor and may to the exclusion of all others, including the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertaking of or occupied or used by the Debtor and may use all or any of the tools, machinery and equipment of the Debtor for such time as the Secured Party sees fit, free of charge, to manufacture or complete the manufacture of any inventory and to pack and ship the finished product if applicable and the Secured Party shall not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions.

6.6 The Secured Party may pay any encumbrance, lien, claim or charge that may exist or be threatened against the Collateral. In addition, the Secured Party may borrow money required for the maintenance, preservation or protection of the Collateral or for the carrying on of the business or undertaking of the Debtor and may grant further security interests in the Collateral in priority to the security interest created hereby as security for the money so borrowed. In every such case the amounts so paid or borrowed together with costs, charges and expenses incurred in connection therewith shall become part of the Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Obligations or any part thereof and shall be secured by this Security Agreement.

6.7 The Secured Party may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with the Collateral or any part thereof in such manner, upon such terms and conditions and at such time or times as may seem to it advisable and without notice to the Debtor (except as otherwise required by any applicable law), and may charge on its own behalf and pay to others, sums for costs and expenses incurred (including legal fees and expenses on a solicitor and his client scale and Receiver's and accounting fees) in or in connection with seizing, collecting, holding, repairing, processing, preparing for disposition, realizing, disposing, enforcing or otherwise dealing with the Collateral and in connection with the protection and enforcement of the rights of the Secured Party hereunder (including, without limitation, in connection with advice with respect to any of the foregoing) and the amount of such sums shall become part of the Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Obligations or any part thereof and shall be secured by this Security Agreement. The Secured Party may file such proofs of claim and other documents as may be necessary or advisable in order to prove its claim in any bankruptcy, proposal, winding-up or other proceeding relating to the Debtor.

6.8 Upon notice to the Debtor as provided in the PPSA, the Secured Party may elect to retain all or any part of the Collateral in satisfaction of the Obligations or any of them.

6.9 The Secured Party shall not be liable or accountable for any failure to seize, collect, realize, dispose of, enforce or otherwise deal with the Collateral and shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, firm or corporation in respect of the Collateral. The Secured Party shall not be liable or responsible for any loss or damage whatever which may accrue in consequence of any such failure whether resulting from the negligence of the Secured Party or any of its officers, servants, agents, solicitors, attorneys, Receivers or otherwise.

6.10 The Secured Party may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, perfect or fail to perfect any securities, release any part of the Collateral to third parties and otherwise deal with the Debtor, debtors of the Debtor, guarantors, sureties and others and with the Collateral and other securities, all without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights and powers under this Security Agreement.

6.11 Any and all payments made in respect of the Obligations from time to time and moneys realized on the Collateral may be applied to such part or parts of the Obligations 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. Any indebtedness owing by the Secured Party to the Debtor may be set-off and applied by the Secured Party against the Obligations at any time and from time to time either before or after maturity, without demand upon or notice to anyone. All moneys collected or received by the Secured Party in respect of the Collateral shall be applied first, on account of such parts of the Obligations as the Secured Party deems best and the balance remaining, if any, may be held unappropriated in a collateral account or in the discretion of the Secured Party may be released to the Debtor, all without prejudice to the Secured Party's claims upon the Debtor, including without limitation, any claim for deficiency.

6.12 If after all the expenses of the Secured Party in connection with the preservation and realization of the Collateral as above described shall have been satisfied and all Obligations, including contingent obligations, shall have been satisfied and paid in full together with interest, any balance of moneys in the hands of the Secured Party arising out of the realization of the Collateral, shall be paid to any person other than the Debtor whom the Secured Party actually knows to be the owner of the Collateral, and in the absence of such actual knowledge such balance shall be paid to the Debtor. Should there be a deficit, the Debtor shall remain liable in respect thereof until full payment of all Obligations.

6.13 The Secured Party shall not, nor shall its servants, agents or Receivers be liable by reason of any entry into possession of the Collateral or any part thereof to account as a mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any act or omission for which a mortgagee in possession might be liable.

6.14 No person dealing with the Secured Party or its servants or agents shall be concerned to inquire whether the security hereby constituted has become enforceable or whether the powers which the Secured Party is purporting to exercise have become exercisable or whether any money remains due on the security of the Collateral or as to the necessity or expedience of the stipulations and conditions subject to which any sale shall be made or otherwise as to the propriety or regularity of any sale or any other dealing by the Secured Party with the Collateral or to see to the application of any money paid to the Secured Party and in the absence of fraud on the part of such persons such dealings shall be deemed so far as regards the safety and protection of such person to be within the powers hereby conferred and to be valid and effective accordingly.

6.15 Upon the Debtor receiving notice from the Secured Party of the taking of possession of the Collateral or the appointment of a Receiver, all powers, functions, rights and privileges of each of the directors and officers of the Debtor with respect to the Collateral shall cease, unless specifically continued by the written consent of the Secured Party.

6.16 The rights and powers conferred by this Section 6 are in supplement of and in addition to and not in substitution for any other rights or powers the Secured Party may have from time to time under this Security Agreement or under applicable law. The Secured Party may proceed by way of any action, suit, remedy or other proceeding or at law or in equity and no such remedy for the enforcement of the rights of the Secured Party shall be exclusive of or dependent on any other such remedy but any one or more of such remedies may from time to time be exercised separately or in combination.

ARTICLE 7

DEALING WITH COLLATERAL BY THE DEBTOR

7.1 The Debtor may in the ordinary course of its business and on customary trade terms, lease or sell items of inventory, so that the purchaser thereof takes title clear of the security interest hereby created, but if such sale or lease results in an account receivable, such account receivable is subject to the security interest hereby created.

7.2 In the event that the Debtor shall collect or receive any of the accounts or shall dispose of and be paid for any of the other Collateral, all non-cash proceeds of such disposition shall be subject to the security interest hereby created and all moneys or instruments collected or received by the Debtor shall be received and held by the Debtor in trust and shall be held separate and apart from other moneys or instruments of the Debtor and shall forthwith be paid over or delivered to the Secured Party.

ARTICLE 8

MISCELLANEOUS

8.1 The security hereby constituted is not in substitution for any other security for the Obligations or for any other agreement between the parties creating a security interest in all or part of the Collateral whether heretofore or hereafter made and the terms of such other agreement or agreements shall be deemed to be continued unless expressly provided to the contrary in writing and signed by the parties. The taking of any action or proceedings or refraining from so doing, or any other dealing with any other security for the Obligations or any part thereof shall not release or affect the security interest created by this Security Agreement and the taking of the security interest hereby created or any proceedings hereunder for the realization of the security interest hereby

created shall not release or affect any other security held by the Secured Party for the repayment of or performance of the Obligations.

8.2 Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liability of the Debtor to make payment of or satisfy the Obligations nor shall the acceptance of any payment or alternate security constitute or create any novation and it is further agreed that the taking of a judgment or judgments under any of the covenants herein contained shall not operate as a merger of such covenants.

8.3 Nothing herein shall obligate the Secured Party to make any advance or loan or further advance or loan or to renew any note or extend any time for payment of any of the Obligations.

8.4 Any notice required to be given to the Debtor or the Secured Party may be delivered to such party or a responsible officer thereof or may be sent by prepaid registered mail addressed to the appropriate party at the address above shown, or such further or other address as such party may notify to the other in writing from time to time, and if so given the notice shall be deemed to have been given on the day of delivery or the day when it is deposited in the post office, as the case may be.

8.5 This Security Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

8.6 All rights of the Secured Party hereunder shall enure to the benefit of its successors and assigns and all obligations of the Debtor hereunder shall bind the Debtor and its heirs, executors, administrators, legal personal representatives, successors and assigns. All rights of the Secured Party hereunder shall be assignable and in any action brought by an assignee to enforce such rights, the Debtor shall not assert against the assignee any claim or defence which the Debtor now has or may hereafter have against the Secured Party.

8.7 If more than one person executes this Security Agreement as Debtor, their obligations under this Security Agreement shall be joint and several.

8.8 The Debtor expressly acknowledges and agrees that the provisions of this Security Agreement and, in particular, those respecting remedies and powers of the Secured Party against the Debtor, its business and the Collateral upon default, are commercially reasonable and not manifestly unreasonable.

8.9 In this Security Agreement, words importing the singular number include the plural and vice-versa and words importing gender include all genders.

8.10 In the event that any term or provision of this Security Agreement shall, to any extent, be invalid or unenforceable, the remaining terms and provisions of this Security Agreement shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

8.11 The division of this Security Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

8.12 The Debtor acknowledges receipt of an executed copy of this Security Agreement.

IN WITNESS WHEREOF the Debtor has duly executed this Security Agreement under seal this • day of •, 199•.

Name of Debtor

By: _____
President

*Note: If Debtor is an individual then obtain and include:

- (a) Full first given name and middle initial;
- (b) Sex; and
- (c) Date of birth.

Sex:

Date of Birth:

Schedule "A"

List of Equipment

Schedule "B"

List of Security Interests

Secured Party

PPSA Registration

Schedule "C"

**List of Locations of Collateral
and Records Relating thereto**