

GENERAL SECURITY AGREEMENT

THIS AGREEMENT made this _____th day of _____, 200__.

B E T W E E N :

The Equitable Trust Company

(hereinafter called the " Holder ")

OF THE FIRST PART;

- A N D -

(hereinafter called the " Debtor ")

OF THE SECOND PART;

1. Grant of Security Interest

As a general continuing security for the payment of the aggregate principal amount of _____ (\$_____) **Dollars** (the "indebtedness") as provided in a mortgage from the Debtor to the Holder securing _____, **municipally known as** _____, _____, **Ontario**, (the "Property") the Debtor grants to the Holder the following described property, (hereinafter collectively called the "Collateral"):

(a) **Accounts Receivable**

All debts, accounts, claims, monies and choses in action which now are or which may at any time hereafter be due or owing to or owned by the Debtor, and also all securities, bills, notes and other documents now held or owned by the Debtor or anyone on behalf of the Debtor in respect of the said debts, claims, monies and choses in action or any part hereof, and also all books and papers recording, evidencing or relating to said debts, accounts, claims, monies and choses in action or any part thereof (all of the foregoing being hereinafter called the "accounts receivable"),

(b) **Inventory**

All inventory of whatever kind and wherever situate now owned or hereafter acquired or reacquired by the Debtor including all goods, merchandise, raw materials, goods in process, finished goods and other tangible personal property held for sale, lease or resale or furnished or to be furnished under contracts for service or used or consumed in the business of the Debtor, together with the products and cash and non-cash proceeds thereof (all of the foregoing being called the "inventory");

(c) **Equipment**

All machinery, equipment and other tangible personal property now owned or hereafter acquired or reacquired by the Debtor and not included in subparagraphs (a) and (b) above (all of which is hereinafter called the "equipment");

(d) Intangibles

All intangible property now owned or hereafter acquired by the Debtor and not included in subparagraph (a) and (b) above including, without limiting the generality of the foregoing, all contractual rights, goodwill, patents, trade-marks, copyrights and other industrial property and intellectual property (all of which are hereinafter called the "intangibles");

(e) Limit on Security

Notwithstanding the generality of the foregoing, the Security Interest created by this Agreement affects only such Collateral associated with the Debtor's business and assets situate in the City of Toronto, , and municipally known as _____, _____, **Ontario**.

2. Covenants

The Debtor hereby warrants and agrees with the Holder as follows:

- (a) The Debtor shall from time to time forthwith on request furnish to the Holder in writing all information requested relating to the Collateral and the Holder shall be entitled from time to time to inspect the aforesaid Collateral and to take temporary custody of and make copies of all documents relating to accounts receivable and/or proceeds and for such purposes the Holder shall have access to all the premises occupied by the Debtor or where the Collateral or any of it may be found.
- (b) The Debtor shall from time to time forthwith on the Holder's request do, make and execute all such financing statements, further assignments, documents, acts, matters and things as may be required by the Holder of or with respect to the Collateral or any part thereof or as may be required to give effect to these presents, and the Debtor hereby constitutes and appoints any officer or employee of the Holder, or any receiver appointed by the Court or the Holder 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.
- (c) The Debtor shall keep the inventory and equipment insured against loss by fire and such other risks as the Holder may reasonably require for their full insurable value and will pay all premiums in connection with such insurance. All policies of insurance and the proceeds thereof will be held in trust by the Debtor for the benefit of the Holder under the provisions of this agreement. If the Debtor neglects to provide such insurance, the Holder may obtain the same and charge the premiums therefore to the Debtor, together with interest at the rate currently charged to the Debtor under its obligations to the Holder at the date of payment of the premium by the Holder.

3. Default

Time shall be in all respects of the essence of this agreement. The Debtor shall be in default hereunder, and the security hereby constituted shall become enforceable:

- (a) If the Debtor fails to pay when due any amount owing to the Holder;
- (b) If the Debtor fails to keep and perform any of the terms and conditions of this agreement;
- (c) If the Debtor shall become bankrupt or insolvent or shall take or attempt to take advantage of any statute for the relief of bankrupt or insolvent Debtor or if a receiver shall

be appointed of any of the Debtor's assets or if the Collateral is substantially damaged or destroyed or seized under any judicial process or for rent or otherwise confiscated;

- (d) If any execution or any other process of any court becomes enforceable against the Debtor or if any distress or analogous process is levied upon the Collateral;
- (e) If the Debtor ceases or threatens to cease to carry on business;
- (f) If the Debtor makes or proposes to make any sale of its assets in bulk or out of the ordinary course of its business; or
- (g) If a resolution is passed or a petition is filed or if any order is made for the winding-up of the Debtor.

4. Remedies Upon Default

If the security hereby constituted shall become enforceable, all amounts owing hereunder shall forthwith become due and payable and the Holder may immediately sue for the entire remaining balance of the Indebtedness, and all expenses incurred by the Holder in recovering the same including all legal costs, together with interest thereon after default and until payment in full, at the rate charged by the Holder at that time on past due accounts, and the Holder shall have and may exercise all of the rights of a secured party under the Personal Property Security Act of Ontario (the "PPSA"). The Holder may also cancel any insurance on the Collateral and collect the unearned premium, for which purpose the Debtor hereby irrevocably appoints any officer of the Holder its attorney. All rights of repossession may be exercised by the Holder without notice or demand and without legal process. The proceeds of any disposition of the Collateral may, in addition to any application allowed under the PPSA, be applied to the reasonable value of time and materials furnished by the Holder in repairs and otherwise preparing the Collateral for disposition and to reasonable legal and other costs in respect of the repossession and disposition thereof. The Debtor covenants and agrees to pay to the Holder on demand, any deficiency after sale of the Collateral. Should the Holder elect to retain the Collateral, all payments previously made thereon shall remain the property of the Holder as liquidated damages and not as penalty. The Debtor expressly waives all actions, claims and demands against the Holder arising out of this agreement or the repossession, resale or retention of the Collateral.

If the security hereby constituted shall become enforceable, the Debtor will, upon request by the Holder, deliver forthwith to the Holder lists or copies of all accounts receivable and/or proceeds. The Holder shall have full power to collect, compromise, endorse, sell or otherwise deal with the same in its own name or that of the Debtor and the Holder may apply any amounts received in connection therewith to any part of the indebtedness secured hereunder as it sees fit.

All remedies of the Holder at law and hereunder are cumulative and concurrent.

5. Licensed Premises

In the event that the Charge/Mortgage to which this General Security Agreement relates (the "Charge") is secured against lands and premises (the "charged premises") which are licenced for the carrying on of a business or for a use of any kind, the following provisions shall be applicable:

- (a) The Debtor does hereby covenant and agree that all existing licences, permits and authorities issued by anybody or authority having licencing jurisdiction, in connection with any business or use of any kind carried on upon the charged premises, including any licences issued under the Liquor Licence Act (Ontario), shall as of and from the date hereof stand as security for and shall be held by the Debtor for the benefit of the Holder as security for the observance, performance and carrying out of the terms and conditions of the Charge until the monies secured therein are fully paid and satisfied.
- (b) The Debtor covenants and agrees that it has not and will not do or omit to do any act having the effect of terminating, cancelling or preventing the renewal of

existing licences, permits and authorities issued by any body or authority having licencing jurisdiction in connection with the aforementioned business or special use of any kind carried on upon the charged premises, and the Debtor does further covenant with the Holder that the Debtor shall comply with, observe, perform and carry out all of the provisions of all legislation governing and controlling and affecting the carrying on of the business or the use being carried on at the premises as well as complying, observing, performing and carrying out all the provisions of all the rules, regulations and directions required to keep the said licences, permits and authorities in full force and effect. It is acknowledged that failure to observe, perform and carry out the terms and conditions of this provision, resulting in cancellation of the licences, permits and authorities issued for the charged premises shall constitute default under the terms of the Charge and this Agreement and the whole of the principal sum and interest secured under the Charge shall, at the option of the Holder, forthwith become due and payable.

- (c) The Debtor further agrees and acknowledges that, in the event of default of payment of any monies secured by the Charge as and when such payments become due, or in the event of failure of the Debtor to observe, perform or carry out any of the covenants and agreements in the Charge or in this Agreement contained, including the conditions contained in the within paragraph, such event shall and does hereby operate to constitute the Holder as a successor and assign, subject to the approval of the body or authority or board or commission having licencing jurisdiction in connection with the aforesaid business or use carried on upon the charged premises such approval being for all existing licences, permits and authorities issued by the said body or authority or board or commission having such licencing jurisdiction in connection with the aforementioned business or use carried on upon the charged premises; provided however, this assignment is taken only as security for the due payment of the principal and interest secured by the Charge and as security for the due observance, performed and carrying out of the terms and conditions thereof, and subject to the reservation that none of the rights or remedies of the Holder shall be merged or prejudiced in any way by the acceptance of this assignment as security.
- (d) In the event of any proceedings being taken by the Holder by the reason of default being made in payment of the monies secured by the Charge, then in such event the Debtor shall be deemed to be in default hereunder and the Holder shall be entitled to exercise its rights hereunder, and to have the Holder or its nominee or assignee become holder of the above mentioned licences, permits and authorities and to apply to the body or authority or board or commission having the necessary jurisdiction for the approval of the transfer to the Holder or his nominee or assignee of all the licences, permits and authorities now or hereafter in existence in connection with any business or use carried on or being made of the charged premises.
- (e) This indenture further witnesses that the Debtor and the Guarantors do hereby irrevocably constitute and appoint the Holder their attorney in the premises to do and perform all acts, matters and things necessary to effectively transfer the said licences, permits and authorities and to vest the same in the Holder or its nominees or assignees to all intents and purposes as the Debtor itself could do; it being agreed that this power of attorney is only exercisable on default by the Debtor. A statutory declaration that default has occurred under and in respect of the Charge, and that such default still continues, entitling the Holder to exercise its rights hereunder, shall be conclusive evidence of the Holder's rights to exercise the power of attorney hereby given.

6. Receiver

If the security hereby constituted shall become enforceable, the Holder may, by instrument in writing, appoint any person or persons, whether an officer or officers or an employee or employees of the Holder or not, to be a receiver or receivers of all or any part of the Collateral, and may remove any receiver or receivers so appointed and may appoint another or others in his

or their stead. Any such receiver shall, so far as concerns responsibility for his acts, be deemed the agent of the Debtor and in no event the agent of the Holder, and the Holder shall not be in any way responsible for any misconduct, negligence or non-feasance on the part of any such receiver. Subject to the provisions of the instrument appointing such receiver, any such receiver or receivers so appointed shall have the power to take possession of the Collateral or any part thereof and to carry on or concur in carrying on the business of the Debtor and to sell or concur in selling all or any part of the Collateral. Except as may be otherwise directed by the Holder, all monies from time to time received by such receiver shall be held in trust for and paid over to the Holder. The term "receiver" as used in this paragraph includes a receiver and manager.

7. Waiver

The Holder may waive any breach by the Debtor of any of the provisions contained in this agreement or any default by the Debtor in the observance or performance of any term or condition hereof provided always that no act or omission of the Holder shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default of the Debtor or the rights resulting therefrom.

8. Payment

The Indebtedness secured hereunder shall be paid and shall be assignable free from any right of set-off or counter-claim or equities between the Debtor and the Holder.

9. Security

The security hereby constituted is in addition to and not in substitution for any other security now or hereafter held by the Holder.

10. Entire Contract

This agreement constitutes the entire contract between the parties and there are no representations, warranties, conditions or collateral agreements, express or implied, statutory or otherwise, with respect to this agreement or the rights of the parties other than as herein contained. No modification of this agreement shall be valid unless made in writing and signed by the parties hereto.

11. Acknowledgment

The Debtor hereby acknowledges receipt as of the date of execution of these presents of a copy of this agreement.

12. Binding Effect

This agreement shall ensure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns, as the case may be.

13. Assignment

The Debtor shall not assign this agreement or any of its rights hereunder.

14. Applicable Law

This agreement and all the terms hereof shall be construed in accordance with the laws of the Province of Ontario.

15. Titles

All headings and titles in this agreement are for reference only and are not to be used in the interpretation of the terms hereof.

The undersigned hereby acknowledges receipt of a copy of this agreement.

EXECUTED and sealed this _____ day of _____, 200__.

Per: _____

Name:

Title:

I have authority to bind the corporation.