

## SECURITY AGREEMENT (ONTARIO)

THIS AGREEMENT made effective as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**BETWEEN:**

[NAME OF DEBTOR]  
[address of debtor]  
(the "Debtor")

- and -

[NAME OF SECURED PARTY]  
[address]  
(the "Secured Party")

**WHEREAS:**

- A. The Debtor is indebted to the Secured Creditor pursuant to a Loan Agreement dated *[insert date of loan agreement]* ("Loan") with respect to goods to be purchased by the Debtor from *[insert name of supplier]* on account of the Debtor's Purchase Order Number #### (copy attached) ("PO") and the goods purchased thereunder ("Secured Goods").
- B. The Debtor agreed to grant a security interest in the Secured Goods and the proceeds therefrom ("Collateral") as a term and condition of the Loan.

**NOW, THEREFORE, IN CONSIDERATION** of these premises, the Debtor hereby covenants and agrees as follows:

### 1. Grant of Security Interest

The Debtor hereby grants to the Secured Creditor a first, fixed, specific, purchase money security interest in the Collateral to secure the Loan and any and all principal, interest and costs at any time owing thereunder (collectively the "Obligations").

### 2. Debtor Covenants and Agreements

The Debtor covenants and agrees as follows:

- (a) that the Debtor will lawfully possess and own the Collateral free and clear of all liens, claims and encumbrances;
- (b) that the Debtor will defend the Collateral against all claims and demands of whatsoever nature and will pay promptly when due all taxes or other charges levied or assessed against the Collateral and satisfy all liens, claims and encumbrances thereon;
- (c) to properly maintain, preserve and care for the Collateral, which at all times shall be at and remain at the Debtor's risk;
- (d) to keep the Collateral fully insured for its full replacement value thereof in such amounts as Secured Creditor may specify and against all perils as would a reasonable and prudent owner of like Collateral, and with the Secured Creditor named a loss payee as his interest may appear; All such insurance to protect the Secured Creditor's interest and all loss proceeds, return premiums or other moneys payable thereunder are hereby assigned to the Secured Creditor;
- (e) not to sell, assign, pledge, hypothecate or otherwise encumber the Collateral without the Secured Creditor's prior approval.

3. **Debtor's Right to Deal with Collateral in Ordinary Course**