

# SECURITY AGREEMENT

THIS SECURITY AGREEMENT made this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

BETWEEN:

**DEBTOR**, a body corporate duly incorporated pursuant to the laws of \_\_\_\_\_  
(the "Debtor")

**OF THE FIRST PART**

**SECURED PARTY**, a body corporate duly incorporated pursuant to the laws of \_\_\_\_\_  
(the "Secured Party")

**OF THE SECOND PART**

**WHEREAS** the Secured Party has agreed to provide the Debtor with loans and advances in cash or in kind and provide credit to the Debtor in the maximum amount of \$\_\_\_\_\_.

**AND WHEREAS** the Debtor is desirous of providing security to the Secured Party over all of the present and after-acquired property of the Debtor including all of the assets, both real and personal as hereinafter described, of the Debtor, as security for the said loans, advances, credit, all existing and future indebtedness, any prior advances or loans and any future loans which may be made by the Secured Party to the Debtor.

**THEREFORE, IN CONSIDERATION OF THE COVENANTS HEREIN CONTAINED, AND FOR VALUE RECEIVED, THE PARTIES HERETO AGREE AS FOLLOWS:**

## SECURITY INTEREST

1. The Debtor hereby grants to the Secured Party by way of mortgage, charge, assignment and transfer, a security interest (the "Security Interest") in all the assets and undertaking of the Debtor and in all the Debtor's present and after acquired personal property including, without limitation, in all Goods (including all parts, accessories, attachments, special tools, additions and accessions thereto), Chattel Paper, Documents of Title (whether negotiable or not), Instruments, Intangibles, Money and Securities now owned or hereafter owned or acquired by or on behalf of the Debtor (including such as may be returned to or repossessed by the Debtor) and in all proceeds and renewals thereof, accretions thereto and substitutions therefor (hereinafter collectively called "Collateral"), and including, without limitation, all of the following now owned or hereafter owned or acquired by or on behalf of the Debtor:

- (a) all Inventory of whatever kind and wherever situate;
- (b) all equipment (other than Inventory) of whatever kind and wherever situate, including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatsoever nature or kind;
- (c) all accounts and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit and advices of credit, which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by the Debtor ("Debts");
- (d) all deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;

- (e) all contractual rights and insurance claims and all goodwill, patents, trademarks, copyrights, and other industrial property;
- (f) all property described in Schedule "A" or any schedule now or hereafter annexed hereto;
- (g) without in any way limiting the generality of the foregoing, the motor vehicles, trailers, mobile homes and airplanes described in Schedule "B" attached hereto and forming part hereof; provided that the parties agree that in the event that no motor vehicles, trailers, mobile homes and airplanes are charged in favour of the Secured Party herein, there will not be a completed Schedule "B" attached hereto;

2. The Security Interest granted hereby shall not extend or apply to and Collateral shall not include:

- (a) any personal property held in trust by the Debtor and lawfully belonging to others; or
- (b) the last day of the term of any lease or agreement therefor but upon the enforcement of the Security Interest the Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.

3. The terms "Goods", "Chattel Paper", "Documents of Title", "Instruments", "Intangibles", "Securities", "proceeds", "Inventory", "accessions", "Money", "Accounts", "financing statements" and "financing change statements" whenever used herein shall be interpreted pursuant to their respective meanings when used in the *Personal Property Security Act* of [province] as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "PPSA". Provided always that the term "Goods" when used herein shall not include "consumer goods" of the Debtor as that term is defined in the PPSA, and the term "Inventory" when used herein shall include livestock and the young thereof after conception and crops that become such within one year of execution of this Security Agreement. Any reference herein to "Collateral" shall, unless the context otherwise requires, be deemed a reference to "Collateral or any part thereof".

#### **INDEBTEDNESS SECURED**

4. The Security Interest granted hereby secures payment and performance of any and all obligations, indebtedness and liability of the Debtor to the Secured Party (including interest thereon) present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred and any ultimate unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether the Debtor be bound alone or with another or others and whether as principal or surety (hereinafter collectively called the "Indebtedness"). If the Security Interest in the Collateral is not sufficient, in the event of default, to satisfy all Indebtedness of the Debtor, the Debtor acknowledges and agrees that the Debtor shall continue to be liable for any Indebtedness remaining outstanding and the Secured Party shall be entitled to pursue full payment thereof.

5. Without limiting the generality of the foregoing, this Security Agreement, further secures any money spent by the Secured Party in acquiring, perfecting, defending or enforcing the Security Interest, liens, or charges provided for herein and in ensuring or otherwise perfecting the Secured Party's interest in the Collateral.

6. This Security Agreement and the Security constituted herein shall not be deemed to be released or discharged, in whole or in part, by the payment or liquidation, at any time or times, of any sum or sums of money for the time being due or remaining unpaid by the Debtor to the Secured Party and the Debtor shall have no right whatsoever to claim any release or discharge of this Security Agreement or the security hereby constituted, unless and until the Secured Party shall have first received, and in writing acknowledged, the payment in full of all of the Indebtedness.

7. The Security Interest created by this Agreement attaches when the Debtor has executed this Agreement.

8. Except to the extent of any specifically mortgaged and charged assets referred to in paragraphs 1(f) and (g) hereof, the Debtor may, in the ordinary course of its business and before demand is made by the Secured Party for payment of any Indebtedness owed to the Secured Party, process, sell or lease or otherwise for value deal with its property, including the right to use or consume any raw materials or supplies, so long as the use or consumption is in the ordinary course of the Debtor's business on commercially reasonable terms, pay its creditors and sell instruments and securities. The Debtor acknowledges that a "use or consumption" in the ordinary course of the Debtor's business does not include a transfer in partial or total satisfaction of a debt or any bulk sale.

#### **REPRESENTATIONS AND WARRANTIES OF DEBTOR**

9. The Debtor represents and warrants and so long as this Security Agreement remains in effect shall be deemed to continuously represent and warrant to the Secured Party that:

- (a) the Collateral is genuine and owned by the Debtor free of all security interests, mortgages, liens, claims, charges or other encumbrances (hereinafter collectively called "Encumbrances"), save for the Security Interest and those Encumbrances shown on Schedule "C" or hereafter approved in writing by the Secured Party, prior to their creation or assumption;
- (b) each Debt, Chattel Paper and Instrument constituting Collateral is enforceable in accordance with its terms against the party obligated to pay the same (the "Account Debtor"), and the amount represented by the Debtor to the Secured Party from time to time as owing by each Account Debtor or by all Account Debtors will be the correct amount actually and unconditionally owing by such Account Debtor or Account Debtors, except for normal cash discounts where applicable and no Account Debtor will have any defence, set off, claim or counterclaim against the Debtor which can be asserted against the Secured Party, whether in any proceeding to enforce Collateral or otherwise; and
- (c) the locations specified in Schedule "D" as to business operations and records are accurate and complete and with respect to Goods (including Inventory) constituting Collateral, the locations specified in Schedule "D" are accurate and complete save for Goods in transit to such locations and Inventory on lease or consignment, and all fixtures or Goods about to become fixtures and all crops and all oil, gas or other minerals to be extracted and all timber to be cut which forms part of the Collateral will be situate at one of such locations.

#### **COVENANTS OF THE DEBTOR**

10. So long as this Security Agreement remains in effect the Debtor covenants and agrees with the Secured Party:

- (a) to defend the Collateral against the claims and demands of all other parties claiming the same or an interest therein; to keep the Collateral free from all Encumbrances, except for the Security Interest and those shown on Schedule "C" or hereafter approved in writing by the Secured Party, prior to their creation or assumption; and not to sell, exchange, transfer, assign, lease, or otherwise dispose of Collateral or any interest therein without the prior written consent of the Secured Party, provided always that, until default, the Debtor may, in the ordinary course of the Debtor's business, sell or lease Inventory and, subject to paragraph 8 hereof, use Money available to the Debtor;
- (b) to notify Secured Party promptly of:

- (i) any change in the information contained herein or in the Schedules hereto relating to the Debtor, the Debtor's business or Collateral;
  - (ii) the details of any significant acquisition of Collateral by the Debtor;
  - (iii) the debts or any claims or litigation affecting the Debtor or Collateral;
  - (iv) any loss or damage to Collateral;
  - (v) any default by any Account Debtor in payment or other performance of its obligations with respect to Collateral; and
  - (vi) the return to or repossession by the Debtor of Collateral;
- (c) to keep the Collateral in good order, condition and repair and not to use Collateral in violation of the provisions of this Security Agreement or any other agreement relating to Collateral or any policy insuring Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;
- (d) to do, execute, acknowledge and deliver such financing statements, financing change statements and further assignments, transfers, documents, acts, matters and things (including further schedules hereto) as may be reasonably requested by the Secured Party of or with respect to Collateral in order to give effect to these presents and to pay all costs for searches and filings in connection therewith;
- (e) to pay all taxes, rates, levies, assessments and other charges of every nature which may be lawfully levied, assessed or imposed against or in respect of the Debtor or Collateral as and when the same become due and payable;
- (f) to keep all of its property of an insurable nature insured in favour of the Secured Party to the full value thereof, with a reputable insurance company, against all risks, including loss or damage by fire, lightning, burglary, vandalism or theft and such other risks as the Secured Party may from time to time reasonably specify with the Secured Party named as first loss payee, and the Debtor will produce the last receipts for such insurance and a photocopy of the insurance policy to the Secured Party for inspection on demand;
- (g) to prevent Collateral, save Inventory sold or leased as permitted hereby, from being or becoming an accession to other property not covered by this Security Agreement;
- (h) to carry on and conduct the business of the Debtor in a proper and efficient manner and so as to protect and preserve the Collateral and to keep, in accordance with generally accepted accounting principles, consistently applied, proper books of account for Debtor's business as well as accurate and complete records concerning Collateral, and mark any and all such records and Collateral at the Secured Party's request so as to indicate the Security Interest;
- (i) to deliver to the Secured Party from time to time promptly upon request:
- (i) any Documents of Title, Instruments, Securities and Chattel Paper constituting, representing or relating to Collateral;
  - (ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to Collateral for the purpose of inspecting, auditing or copying the same;
  - (iii) all financial statements prepared by or for the Debtor regarding the Debtor's business;

- (iv) all policies and certificates of insurance relating to Collateral; and
- (v) such information concerning Collateral, the Debtor and the Debtor's business and affairs as the Secured Party may reasonably request.

**THIS IS AN 18-PAGE DOCUMENT INCLUDING SCHEDULES.**