

## GENERAL SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made the 17<sup>th</sup> day of Jan, 2007 D This is Exhibit ..... referred to in the affidavit of

BETWEEN:

..... MARK KATZ ..... sworn (or affirmed)

before me on ..... [dd/mm/yyyy]

682202 B.C. LTD. (Inc. No. 682202)

C/O 1200 - 200 Burrard Street, Vancouver, B.C., V7X 1T2

(the "Debtor")

A Commissioner for taking Affidavits  
within British Columbia  
Ontario

OF THE FIRST PART

AND:

1397225 ONTARIO LIMITED (Inc. No. A0067673), having an office at 5650 Yonge Street,  
Suite 300, Toronto, Ontario M2M 4H5

(the "Secured Party")

OF THE SECOND PART

FOR VALUE RECEIVED, the Debtor hereby covenants, agrees, warrants, represents, acknowledges, and confirms to and with the Secured Party and creates and grants the mortgages, charges, and security interests as follows:

**1. SECURITY INTEREST**

1.1 Subject to the exception in clause 2, the Debtor does hereby:

- (a) mortgage and charge as and by way of a continuing, fixed, and specific charge to and in favour of Secured Party, and assign, transfer, and grant by way of mortgage, charge, assignment, transfer, and security interest in all of the Debtor's right, title, and interest, present and future, in and to all Goods, Chattel Paper, Instruments, Documents of Title, Money, Securities, and Intangibles located at, on, or about the real property described in Schedule "A" hereto (the "Real Property") or used or acquired in connection with or related exclusively to the business of the Debtor conducted on or with respect to the Real Property and in and to and all Proceeds and renewals thereof and therefrom, accretions thereto, and substitutions therefor, including, without limitation:
  - (i) all inventory of whatever kind and wherever situate, including, without limitation, goods acquired or held for sale or lease or furnished or to be furnished under contracts of rental or service, all raw materials, work in process, finished goods, returned goods, repossessed goods, and all packaging materials, supplies, and containers relating to or used or consumed in connection with any of the foregoing (collectively the "Inventory");
  - (ii) all equipment of whatever kind and wherever situate, including, without limitation, all machinery, tools, apparatus, plant, fixtures, furniture, furnishings, chattels, motor vehicles, air conditioning, heating, ventilating, electrical, mechanical, plumbing, communications and data systems,

elevators, escalators and other conveyancing devices, boilers, furnaces, carpets, blinds, window coverings, curtains, drapes, awnings, light fixtures, doors, windows, demising walls, partitions, wiring, pipes and conduits, and other tangible personal property of whatsoever nature or kind that is not Inventory, and all parts, components, attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing (collectively the "Equipment");

(iii) all book accounts and book debts and generally all accounts, 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 (collectively the "Debts");

(iv) all contractual rights, insurance claims, licences, goodwill, patents, trademarks, trade names, copyrights, and other industrial or intellectual property of the Debtor, all other choses in action of the Debtor of every kind which now are, or which may at any time hereafter be, due or owing to or owned by the Debtor;

(v) all deeds, documents, writings, papers, books of account and other books, and electronically recorded data relating to the Real Property or 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;

(b) mortgage and charge as and by way of a fixed and specific charge to and in favour of the Secured Party, and assign and transfer to the Secured Party and grant to the Secured Party, by way of mortgage, charge, assignment and transfer, a security interest in all of the Debtor's right, title, and interest, both present and future, in and to all of its presently owned or held and after acquired or held property which:

(i) is or hereafter becomes a fixture on or to the Real Property, or

(ii) constitutes a licence, quota, permit, or other similar right or benefit or crops which relates to the business of the Debtor conducted on or with respect to the Real Property.

1.2 The mortgages, charges, assignments and transfers, and security interests created or granted pursuant to clause 1.1 hereof are collectively the "Security Interest", and all property, assets, interests, and undertakings (including Proceeds) subject to the Security Interest or otherwise charged or secured hereby or expressed to be charged, assigned or transferred, or secured by any instruments supplemental hereto or in implementation hereof is collectively the "Collateral".

## 2. EXCEPTIONS AND DEFINITIONS

The Security Interest granted hereby shall not extend or apply to and the Collateral shall not extend to consumer goods or 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 and dispose thereof as the Secured Party shall direct.

Words and expressions used herein that have been defined in the Personal Property Security Act of the Province of British Columbia, as amended from time to time, which Act, including regulations and amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "Act", shall, unless otherwise defined herein or otherwise required by the context, be interpreted pursuant to their respective meanings in the Act whether expressed herein with or without initial capital letters and whether in the singular or plural. Provided always that the term "Inventory" shall include livestock and the young thereof after conception and crops that become such within six months 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". The term "Proceeds" whenever used and interpreted as above shall by way of example include trade-ins, equipment, cash, bank accounts, notes, chattel paper, goods, contract rights, accounts, and any other personal property or obligation received when such collateral or proceeds are sold, exchanged, collected, or otherwise disposed of. The term "licence" means any licence or similar right at any time owned or held by the Debtor, including without limitation to a "licence" as defined in the Act, and the meaning of the term "crops" whenever used herein includes but is not limited to "crops" as defined in the Act.

The following words when used in this Agreement shall have the following meanings:

"Commitment Letter" means the letter dated October 24, 2006 (and any assignments thereof and amendments thereto) from the Secured Party to the Debtor setting out the terms and conditions of a loan in the sum of \$25,360,000.00, secured in part by a first mortgage charge over the Real Property.

"Loan" means the loan made or to be made by the Secured Party to the Debtor pursuant to the terms of the Commitment Letter.

## 3. OBLIGATIONS SECURED

This Security Agreement and the Security Interest are in addition to and not in substitution for any other security interest now or hereafter held by the Secured Party from the Debtor or from any other person whomsoever and shall be general and continuing security for the payment of all indebtedness and liability of the Debtor to the Secured Party (including interest thereon), present or future, absolute or contingent, joint or several, direct or indirect, matured or not, extended or renewed, wheresoever and howsoever incurred, and any ultimate balance thereof, including all advances on current or running account and all future advances and re-advances, 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, and for the performance and satisfaction of all obligations of the Debtor to the Secured Party, whether or not contained in this Security Agreement and whether the Debtor be bound alone or with another or others (all of which indebtedness, liability, and obligations are collectively the "Obligations").

#### 4. PROHIBITIONS

Without the prior written consent of the Secured Party the Debtor shall not and shall not have power to:

- (a) grant, create, or permit to be created any security interest in, charge, encumbrance, or lien over, or claim against any of its property, assets, or undertakings which ranks or could in any event rank in priority to or pari passu with the Security Interest,
- (b) grant, sell, or otherwise assign its Chattel Paper, or
- (c) issue or have outstanding at any time any secured or unsecured bonds, debentures, debenture stock, or other evidences of indebtedness of the Debtor or of any predecessor in title of the Debtor issued under a trust deed or other instrument running in favour of a trustee.

#### 5. ATTACHMENT

The Debtor hereby acknowledges and confirms that:

- (a) there is no intention to delay the time of attachment of the Security Interest hereby created and that the Security Interest shall attach at the earliest time permissible under the laws governing this Security Agreement;
- (b) that value has been given; and
- (c) that the Debtor has (or in the case of any after acquired property, will have at the time of acquisition) rights in the Collateral.

#### 6. REPRESENTATIONS AND WARRANTIES

6.1 The Debtor represents and warrants to the Secured Party that:

- (a) if the Debtor is a company or a partnership, this Security Agreement is granted in accordance with resolutions of the directors (and of the shareholders as applicable) or of the partners, as the case may be, of the Debtor and that all other matters and things have been done and performed so as to authorize and make the execution and delivery of this Security Agreement, and the performance of the Debtor's obligations hereunder, legal, valid, and binding;
- (b) the Debtor lawfully owns and possesses all presently held Collateral and has good title thereto, free from all security interests, charges, encumbrances, liens, and claims, save only the charges or security interests, if any, shown in any Schedule hereto and those consented to in writing by the Secured Party, and the Debtor has good right and lawful authority to grant a security interest in the Collateral as provided by this Security Agreement;
- (c) where the Collateral includes Accounts, Chattel Paper, or Instruments, each is enforceable in accordance with its terms against the party obligated thereunder and that the Debtor has fully and accurately disclosed to the Secured Party the amount owing thereunder and any other relevant information concerning liability for payment thereunder;

- (d) with respect to goods constituting Collateral, the Debtor has herein or elsewhere fully and accurately disclosed to the Secured Party the locations thereof and of the business operations and records of the Debtor.

6.2 All representations and warranties given by the Debtor pursuant to the Loan shall form representations and warranties of this Security Agreement and this Security Agreement shall be read and construed to include such representations and warranties.

## **7. COVENANTS OF THE DEBTOR**

7.1 The Debtor covenants and agrees with the Secured Party that at all times while this Security Agreement remains in effect the Debtor will:

- (a) defend the title to the Collateral for the benefit of the Secured Party against the claims and demands of all persons;
- (b) fully and effectually maintain and keep maintained the validity and effectiveness of the Security Interest;
- (c) maintain the Collateral in good order and repair;
- (d) forthwith pay:
  - (i) all taxes, assessments, rates, duties, levies, government fees, claims, dues, and other charges of every nature which may be lawfully levied, assessed, or imposed upon it or the Collateral when due, unless the Debtor shall in good faith contest its obligations so to pay and shall furnish such security as the Secured Party may require; and
  - (ii) all security interests, charges, encumbrances, liens, and claims which rank or could in any event rank in priority to the Security Interest, other than the charges or security interests, if any, shown in any Schedule hereto and those consented to in writing by the Secured Party;
- (e) forthwith reimburse and indemnify the Secured Party for all costs, charges, expenses, and legal fees and disbursements which may be incurred by the Secured Party in:
  - (i) inspecting the Collateral;
  - (ii) negotiating, preparing, perfecting, and registering this Security Agreement or notice of it and other documents, whether or not relating to this Security Agreement;
  - (iii) investigating title to the Collateral;
  - (iv) taking, recovering, keeping possession of, and insuring the Collateral; and
  - (v) all other actions and proceedings taken in connection with the preservation of the Collateral and the enforcement of this Security Agreement and of any other Security Interest held by the Secured Party as security for the Obligations;

- (f) at the Secured Party's request at any time and from time to time, execute, and deliver such further and other documents and instruments and do all acts and things as the Secured Party in its absolute discretion requires in order to confirm and perfect, and maintain perfection of, the Security Interest in favour of the Secured Party upon any of the Collateral;
- (g) notify the Secured Party promptly of:
  - (i) any change in the information contained herein relating to the Debtor, its address, its business, or the Collateral, including without limitation any change of name or address of the Debtor and any change in location of any Collateral;
  - (ii) the details of any material acquisition of Collateral;
  - (iii) any material loss or damage to the Collateral;
  - (iv) any material default by any account debtor in payment or other performance of his obligations to the Debtor with respect to any Accounts;
  - (v) the return to or repossession by the Debtor of the Collateral where such return or repossession of the Collateral is material in relation to the business of the Debtor; and
  - (vi) the details of any claims or litigation affecting the Debtor or the Collateral.
- (h) prevent the Collateral, other than Inventory sold, leased, or otherwise disposed of as permitted hereby, from being or becoming an accession to other property not covered by this Security Agreement;
- (i) permit the Secured Party and its representatives, at all reasonable times, access to all its property, assets, and undertakings and to all its books of account and records for the purpose of inspection and render all assistance necessary for such inspection; and
- (j) 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 the 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 the Collateral; and
  - (v) such information concerning the Collateral, the Debtor and the Debtor's business and affairs as the Secured Party may reasonably require;

- (k) 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 the Debtor's business as well as accurate and complete records concerning Collateral;
  - (l) observe and perform the additional covenants, if any, set out in any schedule attached hereto.
- 7.2 The Debtor, if a company, covenants that at all times while this Security Agreement remains in effect, without the prior written consent of the Secured Party, it will not:
  - (a) declare or pay any dividends;
  - (b) purchase or redeem any of its shares or otherwise reduce its share capital;
  - (c) become guarantor of any obligation; or
  - (d) become an endorser in respect of any obligation or otherwise become liable upon any note or other obligation other than bills of exchange deposited to any bank accounts of the Debtor.
- 7.3 Except as herein provided, without the prior written consent of the Secured Party, the Debtor will not:
  - (a) sell, lease, or otherwise dispose of the Collateral;
  - (b) release, surrender, or abandon possession of the Collateral; or
  - (c) move or transfer the Collateral from the jurisdiction or jurisdictions in which the Security Interest has been perfected.
- 7.4 Provided that the Debtor is not in default under this Security Agreement, at any time without the consent of the Secured Party the Debtor may lease, sell, license, consign, or otherwise deal with items of Inventory in the ordinary course of its business and for the purposes of carrying on its business.
- 7.5 All covenants given by the Debtor pursuant to the Loan shall form covenants of this Security Agreement and this Security Agreement shall be read and construed to include such covenants.
- 8. **INSURANCE**
- 8.1 The Debtor covenants that at all times while this Security Agreement is in effect the Debtor shall:
  - (a) maintain or cause to be maintained insurance on the Collateral with an insurer, of kinds, for amounts, and payable to such person or persons, all as the Secured Party may require, and in particular but without limitation maintain insurance on the Collateral to its full insurable value against loss or damage by fire, including extended coverage endorsement and in the case of motor vehicles and other mobile Collateral, maintain insurance against theft;
  - (b) cause the insurance policy or policies required hereunder to be assigned to the Secured

Party and have as part thereof a standard mortgage clause or a mortgage endorsement, as appropriate; and

- (c) pay all premiums in connection with such insurance, and deliver all such policies to the Secured Party, if it so requires.
- 8.2 If proceeds of any insurance required hereunder become payable the Secured Party may, in its absolute discretion, apply such proceeds to such part or parts of the Obligations as the Secured Party may see fit or the Secured Party may release any such insurance proceeds to the Debtor for the purpose of repairing, replacing, or rebuilding, but any release of insurance proceeds to the Debtor shall not operate as a payment on account of the Obligations or in any way affect this Security Agreement.
- 8.3 The Debtor will forthwith, on the happening of loss or damage to the Collateral, notify the Secured Party thereof and furnish to the Secured Party at the Debtor's expense any necessary proof and do any necessary act to enable the Secured Party to obtain payment of the insurance proceeds, but nothing herein contained shall limit the Secured Party's right to submit to the insurer a proof of loss on its own behalf.
- 8.4 The Debtor hereby irrevocably authorizes and directs the insurer under any policy of insurance required hereunder to include the name of the Secured Party as a loss payee on any cheque or draft which may be issued with respect to a claim under and by virtue of such insurance, and the production by the Secured Party to any insurer of a certified copy of this Security Agreement shall be its full and complete authority for so doing.
- 8.5 If the Debtor fails to maintain insurance as required hereby, the Secured Party may, but shall not be obliged to, maintain, or effect such insurance coverage, or so much thereof as the Secured Party considers necessary for its protection.

## 9. USE AND VERIFICATION OF COLLATERAL

Subject to compliance with the Debtor's covenants contained herein and clause 11 hereof, the Debtor may, until default, possess, operate, collect, use, and enjoy and deal with the Collateral in the ordinary course of the Debtor's business in any manner not inconsistent with the provisions hereof; provided always that the Secured Party shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner the Secured Party may consider appropriate and the Debtor agrees to furnish all assistance and information and to perform all such acts as the Secured Party may reasonably request in connection therewith and for such purpose to grant to the Secured Party or its agents access to all places where the Collateral may be located and to all premises occupied by the Debtor.

## 10. SECURITIES

If Collateral at any time includes Securities, the Debtor hereby authorizes the Secured Party to transfer the same or any part thereof into its own name or that of its nominee(s) so that the Secured Party or its nominee(s) may appear on record as the sole owner thereof; provided that, until default, the Secured Party shall deliver promptly to the Debtor all notices or other communications received by it or its nominee(s) as such registered owner and, upon demand and receipt of payment of any necessary expenses thereof, shall issue to the Debtor or its order a proxy to vote and take all action with respect to such Securities. After default, the Debtor waives all rights to receive any notices or communications received by the Secured Party or its nominee(s) as such registered owner and agrees that no proxy issued by the Secured Party to the



Debtor or its order as aforesaid shall thereafter be effective.

## **11. COLLECTION OF DEBTS**

Before or after default under this Security Agreement, without notice to the Debtor, the Secured Party may notify all or any account debtors of the Debtor of the Security Interest and may also direct such account debtors to make all payments on Collateral to the Secured Party. The Debtor acknowledges that any payments on or other proceeds of Collateral received by the Debtor from account debtors, whether before or after notification of this Security Interest to account debtors and whether before or after default under this Security Agreement shall be received and held by the Debtor in trust for the Secured Party and shall be turned over to the Secured Party upon request.

## **12. INCOME FROM AND INTEREST ON COLLATERAL**

- 12.1 Until default, the Debtor reserves the right to receive any money constituting income from or interest on Collateral and if the Secured Party receives any such money prior to default, the Secured Party shall either credit the same against the Obligations or pay the same promptly to the Debtor.
- 12.2 After default, the Debtor will not request or receive any money constituting income from or interest on Collateral and if the Debtor receives any such money in any event, the Debtor will hold such money in trust for the Secured Party and will pay the same promptly to the Secured Party.

## **13. INCREASES, PROFITS, PAYMENTS, OR DISTRIBUTIONS**

- 13.1 Whether or not default has occurred, the Debtor authorizes the Secured Party:
- (a) to receive any increase in or profits on the Collateral (other than money) and to hold the same as part of the Collateral. Money so received shall be treated as income for the purposes of clause 12 hereof and dealt with accordingly, and
  - (b) to receive any payment or distribution upon redemption or retirement or upon dissolution and liquidation of the issuer of Collateral; to surrender such Collateral in exchange therefor; and to hold any such payment or distribution as part of Collateral.
- 13.2 If the Debtor receives any such increase or profits (other than money) or payments or distributions, the Debtor will deliver the same promptly to the Secured Party to be held by the Secured Party as herein provided.

## **14. DISPOSITION OF MONIES**

Subject to any applicable requirements of the Act, all monies collected or received by the Secured Party pursuant to or in exercise of any right it possesses with respect to Collateral shall be applied on account of the Obligations in such manner as the Secured Party deems best or, at the option of the Secured Party, may be held unappropriated in a collateral account or released to the Debtor, all without prejudice to the liability of the Debtor or the rights of the Secured Party hereunder, and any surplus shall be accounted for as required by law.

## **15. PERFORMANCE OF OBLIGATIONS**

If the Debtor fails to perform any of its obligations hereunder, the Secured Party may, but shall not be

obliged to, perform any or all of such obligations without prejudice to any other rights and remedies of the Secured Party hereunder, and any payments made and any costs, charges, expenses, and legal fees and disbursements (on a solicitor and his own client basis) incurred in connection therewith shall be payable by the Debtor to the Secured Party forthwith with interest until paid at the highest rate borne by any of the Obligations and such amounts shall be secured hereby and rank prior to all claims subsequent to this Security Agreement.

## **16. DEFAULT**

- 16.1 Unless waived by the Secured Party, it shall be an event of default ("default") under this Security Agreement and this Security Agreement shall become enforceable if any term, covenant, or representation of this Security Agreement is breached or if default shall occur under the Loan or if any other agreement between the parties hereto has been breached by the Debtor.
- 16.2 In accordance with the Property Law Act (British Columbia), the doctrine of consolidation applies to this Security Agreement.

## **17. ACCELERATION**

The Secured Party, in its sole discretion, may declare all or any part of the Obligations which are not by their terms payable on demand to be immediately due and payable in the event of any default, or, in the absence of default, if the Secured Party considers or deems itself insecure or that the Collateral is in jeopardy. The provisions of this clause do not and are not intended to affect in any way any rights of the Secured Party with respect to any Obligations which may now or hereafter be payable on demand.

## **18. ENFORCEMENT**

- 18.1 Upon any default under this Security Agreement, the security hereby constituted will immediately become enforceable. To enforce and realize on the security constituted by this Security Agreement the Secured Party may take any action permitted by law or in equity, as it may deem expedient, and in particular, but without limiting the generality of the foregoing, the Secured Party may do any of the following:
- (a) appoint by instrument a receiver, receiver and manager, or receiver-manager (the person so appointed is hereinafter called the "Receiver") of the Collateral, with or without bond as the Secured Party may determine, and from time to time in its absolute discretion remove such Receiver and appoint another in its stead;
  - (b) enter upon any premises of the Debtor and take possession of the Collateral with power to exclude the Debtor, its agents, and its servants therefrom, without becoming liable as a mortgagee in possession;
  - (c) preserve, protect, and maintain the Collateral and make such replacements thereof and repairs and additions thereto as the Secured Party may deem advisable;
  - (d) sell, lease, or otherwise dispose of all or any part of the Collateral, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained therefor and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as to the Secured Party may seem reasonable, provided that if any sale, lease, or other disposition is on credit

the Debtor will not be entitled to be credited with the proceeds of any such sale, lease, or other disposition until the monies therefor are actually received; and

- (e) exercise all of the rights and remedies of a secured party under the Personal Property Security Act.
- 18.2 A Receiver appointed pursuant to this Security Agreement shall be the agent of the Debtor and not of the Secured Party and the Secured Party shall not be in any way responsible for any misconduct, negligence, or non-feasance on the part of any Receiver, its servants, agents, or employees. A Receiver shall, to the extent permitted by law or to such lesser extent permitted by its appointment, have all the powers of the Secured Party hereunder, and in addition shall have power to carry on the business of the Debtor and for such purpose to enter upon, use, and occupy all premises owned or occupied by the Debtor wherein Collateral may be situate, maintain Collateral upon such premises, use Collateral directly or indirectly in carrying on the Debtor's business and from time to time to borrow money either unsecured or secured by a security interest in any of the Collateral.
- 18.3 Subject to the claims, if any, of the creditors of the Debtor ranking in priority to this Security Agreement, all amounts realized from the disposition of Collateral pursuant to this Security Agreement will be applied as the Secured Party, in its absolute discretion, may direct or as follows:
- (a) in payment of all costs, charges, and expenses (including legal fees and disbursements on a solicitor and his own client basis) incurred by the Secured Party in connection with or incidental to:
    - (i) the exercise by the Secured Party of all or any of the powers granted to it pursuant to this Security Agreement; and
    - (ii) the appointment of the Receiver and the exercise by the Receiver of all or any of the powers granted to it pursuant to this Security Agreement, including the Receiver's reasonable remuneration and all outgoings properly payable by the Receiver excluding the Receiver's borrowings;
  - (b) in payment of any sum or sums borrowed by the Receiver from the Secured Party and interest thereon if such sum or sums are secured by the Collateral;
  - (c) in or toward payment to the Secured Party of all principal and other monies (except interest) due in respect of the Obligations;
  - (d) in or toward payment to the Secured Party of all interest remaining unpaid in respect of the Obligations;
  - (e) in or toward payment of any sum or sums borrowed by the Receiver from any financial institution, corporation, or person other than the Secured Party and interest thereon if such sum or sums are secured by the Collateral.  
Subject to applicable law and the claims, if any, of other creditors of the Debtor, any surplus will be paid to the Debtor.
- 18.4 The Debtor agrees that the Secured Party may exercise its rights and remedies hereunder immediately upon default, except as may be otherwise provided in the Personal Property Security Act, and the Debtor hereby expressly confirms that except as may be otherwise provided herein or

in the Act, the Secured Party has not given any covenant, express or implied, and is under no obligation to allow the Debtor any period of time to remedy any default prior to the Secured Party exercising its rights and remedies hereunder.

#### **19. DEFICIENCY**

If the amounts realized from the disposition of the Collateral are not sufficient to pay the Obligations in full, the Debtor will immediately pay to the Secured Party the amount of such deficiency.

#### **20. RIGHTS CUMULATIVE**

All rights and remedies of the Secured Party set out in this Security Agreement are cumulative and no right or remedy contained herein is intended to be exclusive but each will be in addition to every other right or remedy contained herein or in any existing or future Security Agreement or now or hereafter existing at law, in equity or by statute, or pursuant to any other agreement between the Debtor and the Secured Party that may be in effect from time to time.

#### **21. LIABILITY OF SECURED PARTY**

The Secured Party shall not be responsible or liable for any debts contracted by it, for damages to persons or property or for salaries or non-fulfillment of contracts during any period when the Secured Party shall manage the Collateral upon entry, as herein provided, nor shall the Secured Party be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable. The Secured Party shall not be bound to do, observe, or perform or to see to the observance or performance by the Debtor of any obligations or covenants imposed upon the Debtor nor shall the Secured Party, in the case of Securities, Instruments, or Chattel Paper, be obliged to preserve rights against other persons, nor shall the Secured Party be obliged to keep any of the Collateral identifiable. The Debtor hereby waives any applicable provision of law permitted to be waived by it which imposes higher or greater obligations upon the Secured Party than aforesaid.

#### **22. APPOINTMENT OF ATTORNEY**

The Debtor hereby irrevocably appoints the Secured Party or the Receiver, as the case may be, with full power of substitution, to be the attorney of the Debtor for and in the name of the Debtor to sign, endorse, or execute under seal or otherwise any deeds, documents, transfers, cheques, instruments, demands, assignments, assurances, or consents that the Debtor is obliged to sign, endorse or execute, and generally to use the name of the Debtor and to do all things as may be necessary or incidental to the exercise of all or any of the powers conferred on the Secured Party or the Receiver, as the case may be, pursuant to this Security Agreement.

#### **23. ACCOUNTS**

Notwithstanding any other provision of this Security Agreement, the Secured Party may collect, realize, sell, or otherwise deal with the Accounts or any part thereof in such manner, upon such terms and conditions, and at such time or times, whether before or after default, as may seem to it advisable, and without notice to the Debtor, except in the case of disposition after default and then subject to the provisions of Part 5 of the Personal Property Security Act. All monies or other forms of payment received by the Debtor in payment of any Account will be received and held by the Debtor in trust for the Secured Party.

**24. APPROPRIATION OF PAYMENTS**

Any and all payments made in respect of the Obligations from time to time and monies realized from any security interests held therefor (including monies collected in accordance with or realized on any enforcement of this Security Agreement) may be applied to such part or parts of the Obligations as the Secured Party may see fit, and the Secured Party may at all times and from time to time change any appropriation as the Secured Party may see fit.

**25. LIABILITY TO ADVANCE**

None of the preparation, execution, perfection, and registration of this Security Agreement or notice hereof or the advance of any monies shall bind the Secured Party to make any advance or loan or further advance or loan, or renew any note or extend any time for payment of any indebtedness or liability of the Debtor to the Secured Party.

**26. WAIVER**

The Secured Party may from time to time and at any time waive in whole or in part any right, benefit, or default under any clause of this Security Agreement but any such waiver of any right, benefit, or default on any occasion shall be deemed not to be a waiver of any such right, benefit, or default thereafter, or of any other right, benefit, or default, as the case may be, and no delay or omission by the Secured Party in exercising any right or remedy hereunder or with respect to any default shall operate as a waiver thereof or of any other right or remedy.

**27. NOTICE**

Notice may be given by any party in writing and shall be well and sufficiently given if sent by prepaid registered mail, by delivery, or by facsimile transmission to the party for whom it is intended, at the address or transmitted to the facsimile number herein provided, or to such other address or to such other facsimile number as may be set forth in any notice given pursuant to these notice provisions from time to time. Any such notice shall be deemed to have been given and received:

- (a) if delivered, when delivered,
- (b) if mailed by prepaid registered mail when there is no known or anticipated disruption of postal services, on the third business day following that on which it was mailed; and
- (c) if sent by facsimile transmission, on the close of business on the day on which it was transmitted.

**28. EXTENSIONS**

The Secured Party may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of the Security Interest, and otherwise deal with the Debtor, account debtors of the Debtor, sureties, and others and with the Collateral, the Security Interest, and other security interests as the Secured Party may see fit without prejudice to the liability of the Debtor or the Secured Party's right to hold and realize on the security constituted by this Security Agreement.

**29. NO MERGER**

This Security Agreement shall not operate so as to create any merger or discharge of any of the Obligations, or of any assignment, transfer, guarantee, lien, mortgage, contract, promissory note, bill of exchange or security interest of any form held or which may hereafter be held by the Secured Party from the Debtor or from any other person whomsoever. The taking of a judgment with respect to any of the Obligations will not operate as a merger of any of the covenants contained in this Security Agreement.

**30. ASSIGNMENT**

The Secured Party may, without further notice to the Debtor, at any time assign, transfer, or grant a security interest in this Security Agreement and the Security Interest. The Debtor expressly agrees that the assignee, transferee, or secured party, as the case may be, shall have all of the Secured Party's rights and remedies under this Security Agreement and the Debtor will not assert any defence, counterclaim, right of set-off or otherwise with respect to any claim which the Debtor now has or hereafter acquires against the Secured Party in any action commenced by such assignee, transferee, or secured party, as the case may be, and will pay the Obligations to the assignee, transferee, or secured party, as the case may be, as the Obligations become due.

**31. SATISFACTION AND DISCHARGE**

Any partial payment or satisfaction of the Obligations, or any ceasing by the Debtor to be indebted to the Secured Party, shall be deemed not to be a redemption or discharge of this Security Agreement. The Debtor shall be entitled to a release and discharge of this Security Agreement upon full payment and satisfaction of all Obligations and upon written request by the Debtor and payment to the Secured Party of all costs, charges, expenses, and legal fees and disbursements (on a solicitor and his own client basis) incurred by the Secured Party in connection with the Obligations and such release and discharge.

**32. ENUREMENT**

This Security Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, personal representatives, successors, and permitted assigns.

**33. INTERPRETATION**

- 33.1 In this Security Agreement, "Debtor" and the personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used depending upon whether the Debtor is one or more individuals, corporations, or partnerships and, if more than one, shall apply to and be binding upon each of them jointly and severally;
- 33.2 Words and expressions used herein in the singular shall be read as if the plural were expressed, and vice-versa, and the provisions hereof shall be read with all grammatical changes necessary dependent upon the person referred to being a male, female, firm, or corporation.
- 33.3 Should any provision of this Security Agreement be declared or held invalid or unenforceable in whole or in part or against or with respect to the Debtor by a court of competent jurisdiction, such invalidity or unenforceability will not affect the validity or enforceability of any or all of the remaining provisions of this Security Agreement which will continue in full force and effect and be construed as if this Security Agreement had been executed without the invalid or unenforceable

provision.

33.4 The headings of the sections and clauses of this Security Agreement have been inserted for reference only and do not define, limit, alter, or enlarge the meaning of any provision of this Security Agreement.

33.5 This Security Agreement shall be governed by the laws of British Columbia.

#### **34. MISCELLANEOUS**

34.1 The Debtor hereby authorizes the Secured Party to file such financing statements, financing change statements, and other documents and do such acts, matters, and things as the Secured Party may deem appropriate to perfect on an ongoing basis and continue the Security Interest, to protect and preserve the Collateral and to realize upon the Security Interest.

34.2 The Debtor hereby waives protest of any Instrument constituting Collateral at any time held by the Secured Party on which the Debtor is any way liable and, subject to the provisions of the Personal Property Security Act, notice of any other action taken by the Secured Party.

34.3 Any partial payment or satisfaction of the Obligations or any ceasing by the Debtor to be indebted to the Secured Party shall be deemed not to be a redemption or discharge of this Security Agreement. The Debtor shall be entitled to a release and discharge of this Security Agreement upon full payment and satisfaction of all Obligations, and upon written request by the Debtor and payment to the Secured Party of a discharge fee to be fixed by the Secured Party and payment of all costs, charges, expenses, and legal fees and disbursements (on a solicitor and his own client basis) incurred by the Secured Party in connection with the Obligations and such release and discharge.

34.4 The Debtor acknowledges and agrees that in the event it amalgamates with any other company or companies it is the intention of the parties hereto that the term "Debtor" when used herein shall apply to each of the amalgamating companies and to the amalgamated company, such that the Security Interest granted hereby:

(a) shall extend to "Collateral" (as that term is herein defined) owned by each of the amalgamating companies and the amalgamated company at the time of amalgamation and to any "Collateral" thereafter owned or acquired by the amalgamated company, and

(b) shall secure the "Obligations" (as that term is herein defined) of each of the amalgamating companies and the amalgamated company to the Secured Party at the time of amalgamation and any "Obligations" of the amalgamated company to the Secured Party thereafter arising. The Security Interest shall attach to "Collateral" owned by each company amalgamating with the Debtor, and by the amalgamated company, at the time of amalgamation, and shall attach to any "Collateral" thereafter owned or acquired by the amalgamated company when such becomes owned or is acquired.

34.5 The Debtor hereby authorizes the Secured Party to provide a copy of this Security Agreement and such other information and documents specified under the Act to any person entitled pursuant to the Personal Property Security Act to demand and receive same.

## 35. COPY OF AGREEMENT AND FINANCING STATEMENT

The Debtor hereby:

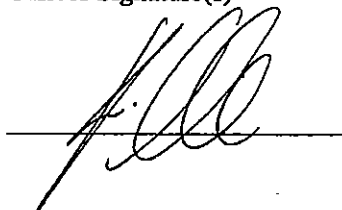
- (a) acknowledges receiving a copy of this Security Agreement, and
- (b) waives all rights to receive from the Secured Party a copy of any financing statement, financing change statement or verification statement filed, issued, or obtained at any time in respect of this Security Agreement.

IN WITNESS WHEREOF the Debtor has executed this Security Agreement on the date indicated below.

Officer Signature(s)

Execution Date(s)

Party(ies) Signature(s)


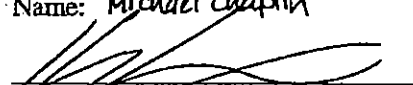


Y M D

07 01 17

682202 B.C. LTD., by its authorized signatory(ies)

JO-ANNE B. CHIA  
Barrister & Solicitor  
1200 Waterfront Centre, 200 Burrard Street  
P.O. Box 48600, Vancouver, Canada V7X 1T2  
604-640-4219

  
Name: Michael Chaplin  
  
Name: Kelly Leroux

(as to all signatures)

**OFFICER CERTIFICATE:** Your signatures constitutes a representation that you are a solicitor, notary public or other person authorized by the Evidence Act, R.S.B.C. 1996 c 124 to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the Land Title Act as they pertain to the execution of this instrument. \*If space insufficient, enter "SEE SCHEDULE" and attach schedule in Form E.



**Schedule A - "Real Property"**

**PID: 017-490-146**

**Lot A, Section 20, Township 17, NWD, Plan LMP1741**

-7 FEB 2007 14 51

BB465269

LAND TITLE ACT  
Form 17  
(Sections 154, 155, 241)  
APPLICATION

Note: Before submitting this application for interests under (1) and (2) applicants should check and satisfy themselves as to the tax position, including taxes of the Crown Provincial, a Municipality and Improvement, Water and Irrigation Districts.

NATURE OF INTEREST  
(1) FEE SIMPLE

**COPY**

MARKET VALUE

PARCEL IDENTIFIER NO.(S)

(2) CHARGE

PARCEL IDENTIFIER NO.(S) SEE SCHEDULE A ATTACHED

NATURE OF CHARGE: Notice of a Security Interest  
in Fixtures or Growing Crops

(3) CANCELLATION  
OF CHARGE

PARCEL IDENTIFIER NO.(S)

NATURE AND NUMBER OF CHARGE CANCELLED:

HEREWITH FEES OF: \$21.50

As to (1) and (2) ADDRESS of person entitled to be registered as owner, if different than shown in instrument:

N/A


As to (3) FULL NAME of person entitled to cancellation who or on whose behalf the application is made:  
Registered Owner

LEGAL DESCRIPTION, if not shown in instrument being submitted with this application:

N/A

FULL NAME, ADDRESS, TELEPHONE NUMBER OF PERSON PRESENTING APPLICATION:

OWEN BIRD LAW CORPORATION  
29<sup>th</sup> Floor -- 595 Burrard Street  
Vancouver, B.C., V7X 1J5  
(Phone: 604-688-0401)  
Per: Gina Elsey, Legal Assistant

  
Signature of applicant or solicitor or Authorized Agent

Form 1

**PERSONAL PROPERTY SECURITY ACT**

(Section 38 (1) Personal Property Security Regulation and Section 49 (2) Personal Property Security Act)

**NOTICE OF A SECURITY INTEREST IN FIXTURES OR GROWING CROPS**

To: The Registrar of Titles  
Lower Mainland Land Title District

Filing Fee \$21.50

TAKE NOTICE that a security interest in collateral that is or may become a fixture or crop attaching to land has been created and that the particulars of the security interest are set out as follows:

Debtor 682202 B.C. LTD. - 1200 - 200 Burrard Street, Vancouver, B.C. V7X 1T2

Parcel Identifier Number and Legal Description of Land on which the Collateral is located or affixed: - SEE SCHEDULE A ATTACHED HERETO

Secured Party: 1397225 ONTARIO LIMITED, 5650 Yonge Street, Suite 300, Toronto, Ontario M2M 4H5

**Description of Collateral:**

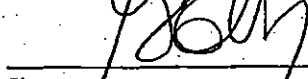
ALL OF THE PRESENT AND AFTER-ACQUIRED GOODS, CHATTEL PAPER, INTANGIBLES, INSTRUMENTS, DOCUMENTS OF TITLE, SECURITIES, MONEY OR OTHER PRESENT OR AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR SITUATE ON OR USED IN CONNECTION WITH OR ARISING FROM OR OUT OF THE REAL PROPERTY KNOWN AS 32331 7<sup>TH</sup> AVENUE, MISSION, B.C. (LEGALLY DESCRIBED AS PID: 017-490-146, LOT A, SECTION 20, TOWNSHIP 17, NWD, PLAN LMP1741)

PROCEEDS: ALL PROCEEDS THAT ARE GOODS, CHATTEL PAPER, INTANGIBLES, INSTRUMENTS, DOCUMENTS OF TITLE, SECURITIES, MONEY OR OTHER PRESENT OR AFTER-ACQUIRED PERSONAL PROPERTY. TERMS USED IN THIS GENERAL COLLATERAL DESCRIPTION WHICH ARE DEFINED IN THE PERSONAL PROPERTY SECURITY ACT, SHALL HAVE THE MEANINGS SPECIFIED IN THAT ACT, UNLESS THE CONTEXT OTHERWISE REQUIRES.

AND that this notice is an infinite registration

DATED this 6 day of Feb, 2006.

SIGNED in the presence of:

  
Signature  
Gina Elsey/Dolores St. Germain, Legal Assistant  
29<sup>th</sup> Floor - 595 Burrard Street, Vancouver, BC V7X 1J5

) 1397225 ONTARIO LIMITED

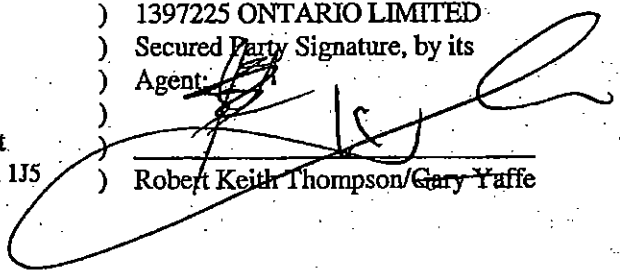
) Secured Party Signature, by its

) Agent:

)

)

) Robert Keith Thompson/Gary Yaffe



**SCHEDULE A**

Attached to this Form 17 Application and Form 1 PPSA Notice

PID: 017-490-146, LOT A, SECTION 20, TOWNSHIP 17, NWD, PLAN LMP1741