

GENERAL SECURITY AGREEMENT¹

1. **Grant of Security Interest.** 999999 B.C. Ltd. (“Debtor”), having its chief executive office at 999 Main Street, Vancouver B.C., V1V 1V1 as continuing security for the repayment and the performance of each of the Obligations (as defined herein) of Debtor to First National Bank (“Secured Party”) having an office at 999 Burrard St. Vancouver, B.C. V2V 2V2 grants to Secured Party, subject only to paragraph 3, a continuing, specific and fixed mortgage, charge and assignment of, and security interest in², all of Debtor's present and after-acquired personal property³, including, without limiting the generality of the foregoing, all proceeds and personal property in any form derived directly or indirectly from any dealing with the Collateral (as defined herein) or any part thereof and all proceeds of proceeds and any part thereof.⁴
2. **Floating Charge.** As continuing security for the repayment and performance of each of the Obligations, Debtor grants a floating charge to Secured Party on all Debtor's interest in personal, real, immovable and leasehold property, both present and future, other than such as are validly and effectively charged under paragraph 1 or excluded under paragraph 3. The floating charge created by this Security Agreement shall become a fixed charge when Secured Party proceeds to enforce payment of the Obligations.⁵
3. **Exclusions.** The security interests, mortgages and charges hereby created shall **NOT EXTEND TO ANY CONSUMER GOODS.**⁶ The last day of any term reserved by any lease now held or hereafter acquired by Debtor is hereby excepted out of the security interests, mortgages and charges created hereby. Debtor shall assign and dispose of the same in such manner as Secured Party may from time to time direct in writing.
4. **Collateral.** The property, assets, rights and undertaking charged hereunder together with all increases, additions, improvements and accessions thereto, and all substitutions or any replacements thereof are herein referred to as the “Collateral”.
5. **Defined Terms.** Unless the context otherwise requires or unless otherwise specified, all the terms used herein without initial capitals which are defined in the British Columbia *Personal Property Security Act*, R.S.B.C. 1996, c. 359 or the regulations thereunder, as they may be amended, restated or replaced by successor legislation of comparable effect (collectively, the “PPSA”), have the same meaning herein as in the PPSA.

¹ A General Security Agreement is commonly referred to as a “GSA”.

² This paragraph contains the “charging language”, by which the debtor grants a security interest in the collateral. The charging language in this agreement—“ a continuing, specific and fixed mortgage, charge and assignment of, and security interest”—is typical, although strictly speaking it does not need to say anything more than that the debtor grants to the secured party a “security interest” in the collateral.

³ This security agreement creates a security interest in all of the debtor’s present and after-acquired personal property, or “All-PAAPP” as it is commonly known. Remember that in order for a security agreement to be enforceable against third parties, it must describe the collateral in one of the ways permitted by s. 10 of the PPSA.

⁴ Like most security agreements, this one charges collateral *and* proceeds of that collateral. The PPSA already gives a secured party a security interest in the proceeds of the collateral, so while strictly not necessary, it is usually included.

⁵ The security agreement contains a floating charge on land, which crystallizes when the secured party proceeds to enforce payment of the Obligations secured. When the floating charge crystallizes, the security agreement can be registered against land owned by the debtor. See also the footnote comments for the execution block at the end of this agreement.

⁶ Consumer Goods are excluded from this security agreement, so that the secured party will not be faced with a “seize or sue” problem when enforcing the security agreement.

6. **Obligations Secured.** The Collateral constitutes and will constitute continuing security for the obligations (collectively, the "Obligations") of Debtor to Secured Party pursuant to the Loan Agreement dated for reference January 1, 2001, between the Debtor and the Secured Party.⁷

7. **Change of Business and Names.** Debtor agrees not to change its places of business or change its name or any name under which it carries on business without giving to Secured Party 20 day's prior written notice of the change.⁸

8. **Disclosure.** Debtor agrees to deliver to Secured Party upon request such information concerning the Collateral, Debtor and Debtor's business and affairs as Secured Party may request.

9. **Proceeds in Trust.** Debtor will and shall be deemed to hold all proceeds in trust, separate and apart from other money, instruments or property, for the benefit of Secured Party until all amounts owing by Debtor to Secured Party have been paid in full.

10. **Collection of Accounts.** Secured Party may, whether before or after default under this Security Agreement, notify and direct any party ("Account Customer") obligated to pay under any account, chattel paper or instrument constituting Collateral to make all payments whatever to Secured Party.⁹ Secured Party may hold all amounts acquired from any Account Customers and any proceeds as part of the Collateral. Any payments received by Debtor whether before or after notification to Account Customers, shall be held by Debtor in trust for Secured Party in the same medium in which received, shall not be commingled with any assets of Debtor and shall be turned over to Secured Party not later than the next business day following the day of their receipt.

11. **Default.**¹⁰ Debtor shall be in default under this Security Agreement upon the occurrence of any of the following events ("Events of Default"): Debtor defaults in the payment or performance of any of the Obligations; any person who from time to time guarantees the Obligations or who covenants and agrees to indemnify Secured Party for any loss, costs or damages as a result of Debtor's failure to perform the Obligations (the "Guarantor/Indemnitor"), commits a breach of, or fails to observe or perform, any covenant, representation or warranty in favour of Secured Party; the dissolution, termination of existence, insolvency, bankruptcy or business failure of Debtor or Guarantor/Indemnitor, or upon the appointment of a receiver, receiver-manager or receiver and manager of any part of the property of Debtor or Guarantor/Indemnitor, or the commencement by or against Debtor or Guarantor/Indemnitor of any proceeding under any bankruptcy, arrangement, reorganization, dissolution, liquidation, insolvency or similar law for the relief of or otherwise affecting creditors of Debtor or Guarantor/Indemnitor, or by or against any guarantor or surety for Debtor or Guarantor/Indemnitor, or upon the issue of any writ of

⁷ A security agreement must contain a description of the obligations that are secured by it. In this case the obligations secured are those under a particular loan agreement, but the obligations secured can be any obligation that the debtor has to the secured party, however arising and however evidenced. A security agreement will often refer to the obligations secured as "all obligations of the debtor to the secured party, past, present or future."

⁸ Most security agreements require the debtor to give notice of a change of business address or a change of name, so that any financing change statements that might be required as a result of the change can be registered.

⁹ Most security agreements charging All-PAAPP contain this kind of provision, which allows a secured party to collect the debtor's accounts receivable directly from parties who owe money to the debtor. This is logical because the debtor's accounts receivable are subject to the secured party's security interest, and the secured party may wish to ensure that the money is not collected and spent elsewhere by the debtor. Note that this provision is not strictly necessary because s. 57 of the PPSA already permits the collection of accounts by the secured party.

¹⁰ Most security agreements contain a list of events of default similar to this one. In the vast majority of cases, the default that triggers enforcement by the secured party is non-payment by the debtor of its obligations. Technically, a security agreement does not need to list events of default, since the PPSA provides that a default by the debtor of its obligations will trigger the enforcement provisions of Part 5 of the Act. However, because s. 9 of the PPSA essentially gives parties freedom of contract in their security agreements (subject to limitations set out in the Act), it is normal and recommended to include events of default other than non-performance of the obligations secured, such as the bankruptcy of the debtor or the commencement of enforcement proceedings by another creditor.

execution, warrant, attachment, sequestration, levy, third party demand or garnishment or similar process against Debtor, Guarantor/Indemnitor or any part of the Collateral; the institution by or against Debtor or Guarantor/Indemnitor of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of Debtor or Guarantor/Indemnitor; Debtor or Guarantor/Indemnitor makes or proposes to make any sale of its assets in bulk; Secured Party in good faith believes the prospect of payment or performance of the Obligations hereunder is impaired.

12. **Secured Party's Remedies on Default.**¹¹ Upon the occurrence of an Event of Default all of the Obligations shall become immediately due and payable without notice to Debtor, and Secured Party may, at its option, proceed to enforce payment of same and to exercise any or all of the rights and remedies contained herein, including, without limitation, the signification and collection of any debts, accounts, claims or monies owed to Debtor or otherwise afforded by law, in equity or otherwise. The floating charge created by paragraph 2 shall become a fixed charge when Secured Party proceeds to enforce payment of the Obligations. Secured Party shall have the right to enforce one or more remedies successively or concurrently in accordance with applicable law and Secured Party expressly retains all rights and remedies not inconsistent with the provisions herein including all the rights it may have under the PPSA, and, without restricting the generality of the foregoing, Secured Party may upon such Event of Default:

- (a) appoint by instrument in writing a receiver, receiver-manager or receiver and manager (herein a "Receiver") of Debtor and of all or any part of the Collateral and remove or replace such Receiver from time to time or may institute proceedings in any court of competent jurisdiction for the appointment of a Receiver. Any Receiver appointed by Secured Party so far as concerns responsibility for its acts shall be deemed the agent of Debtor and not of Secured Party. Where Secured Party is referred to in this Article the reference includes, where the context permits, any Receiver so appointed and the officers, employees, servants or agents of such Receiver;
- (b) immediately and without notice enter Debtor's premises and repossess, disable or remove the Collateral and Debtor hereby grants to Secured Party a licence to occupy any premises of Debtor for the purpose of storage of the Collateral;
- (c) retain and administer the Collateral in Secured Party's sole and unfettered discretion, which Debtor hereby acknowledges is commercially reasonable;
- (d) dispose of any Collateral by public auction, private tender or private contract with or without notice, advertising or any other formality, all of which are hereby waived by Debtor. Secured Party may, at its discretion establish the terms of such disposition, including, without limitation, terms and conditions as to credit, upset, reserve bid or price. Secured Party may also lease the Collateral on such terms as it deems appropriate. The payments for Collateral, whether on a disposition or lease, may be deferred. All payments made pursuant to such dispositions shall be credited against the Obligations only as they are actually received. Secured Party may buy in, rescind or vary any contract for the disposition of any Collateral and may dispose of any Collateral again without being answerable for any loss occasioned thereby. Any such disposition may take place whether or not Secured Party has taken possession of the Collateral;
- (e) foreclose upon the Collateral in satisfaction of the Obligations. Secured Party may designate any part of the Obligations to be satisfied by the foreclosure of particular Collateral which Secured Party considers to have a net realizable value approximating the amount of the designated part of the Obligations, in which case only the designated part of the Obligations shall be deemed to be satisfied by the foreclosure of the particular Collateral;

¹¹ The PPSA sets out a broad range of remedies for a secured party on default by the debtor. Accordingly, it is not strictly necessary to include a remedies section in a security agreement, but it is certainly recommended.

- (f) carry on or concur in the carrying on of all or any part of the business of Debtor and may, in any event, to the exclusion of all others, including Debtor, enter upon, occupy and use all premises of or occupied or used by Debtor and use any of the personal property (which shall include fixtures) of Debtor for such time and such purposes as Secured Party sees fit. Secured Party shall not be liable to Debtor for any neglect in so doing or in respect of any rent, costs, charges, depreciation or damages in connection therewith;
- (g) pay any lien, charge or encumbrance that may exist or be threatened against the Collateral. In any such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations secured by this Security Agreement;
- (h) if the proceeds of realization are insufficient to pay all monetary Obligations, Debtor shall forthwith pay or cause to be paid to Secured Party any deficiency and Secured Party may sue Debtor to collect the amount of such deficiency;
- (i) subject to applicable law seize, collect, realize, borrow money on the security of, release to third parties, sell (by way of public or private sale), lease or otherwise deal with the Collateral in such manner, upon such terms and conditions, at such time or times and place or places and for such consideration as may seem to Secured Party advisable and without notice to Debtor; and
- (j) Secured Party may charge on its own behalf and pay to others sums for expenses incurred and for services rendered (expressly including legal services, consulting, receivers and accounting fees) in or in connection with seizing, collecting, realizing, borrowing on the security of, selling or obtaining payment of the Collateral and may add such sums to the Obligations secured by this Security Agreement.

13. **Secured Party Not Liable for Failure to Exercise Remedies.** Secured Party shall not be liable or accountable for any failure to exercise any of its remedies.

14. **Allocation of Proceeds.** All monies collected or received by Secured Party in respect of the Collateral may be held by Secured Party and may be applied on account of such parts of the Obligations at the sole discretion of Secured Party.

15. **Extension of Time.** Secured Party may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release the Collateral to third parties and otherwise deal with Debtor's guarantors or sureties and others and with the Collateral and other securities as Secured Party may see fit without prejudice to the Obligations, or Secured Party's rights, remedies and powers under this Security Agreement. No extension of time, forbearance, indulgence or other accommodation now, heretofore or hereafter given by Secured Party to Debtor shall operate as a waiver, alteration or amendment of the rights of Secured Party or otherwise preclude Secured Party from enforcing such rights.

16. **Effect of Appointment of Receiver.** As soon as Secured Party takes possession of any Collateral or appoints a Receiver, all powers, functions, rights and privileges of the directors and officers of Debtor with respect to that Collateral shall cease, unless specifically continued by the written consent of Secured Party or the Receiver.

17. **Limitation of Liability.** Secured Party shall not be liable by reason of any entry into or taking possession of any of the Collateral hereby charged or intended so to be or any part thereof, to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or any act or omission for which a secured party in possession might be liable.

18. **Release by Debtor.** Debtor hereby releases and discharges Secured Party and the Receiver from every claim of every nature which may arise or be caused to Debtor or any person claiming through or under Debtor by reason or as a result of anything done by Secured Party or any successor or assign claiming through or under Secured Party or the Receiver under the provisions of this Security Agreement unless such claim be the result of dishonesty or gross neglect.

19. **Costs.** Debtor will reimburse Secured Party on demand for all interest, commissions, costs of realization and other costs and expenses (including the full amount of all legal fees and expenses paid by Secured Party) incurred by Secured Party or any Receiver in connection with the perpetual registration of any financing statement registered in connection with the security interests hereby created, the preparation, execution, perfection, protection, enforcement of and advice with respect to this Security Agreement, the realization, disposition of, retention, protection, insuring or collection of any Collateral, the protection or enforcement of the rights, remedies and powers of Secured Party or any Receiver, any costs incurred in complying with control orders and clean-up orders or liabilities to third parties arising out of Debtor's activities or while enforcing Secured Party's security, and the inspection of, and investigation of title to, the Collateral. All amounts for which Debtor is required hereunder to reimburse Secured Party or any Receiver shall, from the date of disbursement until the date Secured Party or the Receiver receives reimbursement, bear interest at the highest rate per annum charged by Secured Party on any of the Obligations.

20. **Security in Addition and not in Substitution, Remedies Cumulative.** The rights, remedies and powers conferred by this Security Agreement are in addition to, and not in substitution for, any other rights, remedies or powers Secured Party may have under this Security Agreement, at law, in equity or by or under the PPSA or any other statute.

21. **Statutory Waivers.** To the fullest extent permitted by law¹², Debtor waives all of the rights, benefits and protection given by the provisions of any existing or future statute which imposes limitations upon the rights, remedies or powers of a Secured Party or upon the methods of realization of security, including any seize or sue or anti-deficiency statute or any similar provisions of any other statute.

22. **Further Assurances.** Debtor shall at all times, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, transfers, assignments, security agreements and assurances as Secured Party may reasonably require in order to give effect to the provisions hereof and for the better granting, transferring, assigning, charging, setting over, assuring, confirming or perfecting the security interests hereby created and the priority accorded to them by law or under this Security Agreement.

23. **Acknowledgement and Waiver.** Debtor hereby acknowledges receiving a copy of this Security Agreement. Debtor waives all rights to receive from Secured Party a copy of any financing statement, financing change statement or verification statement filed at any time in respect of this Security Agreement.

24. **Entire Agreement.** This Security Agreement and the agreements referred to herein constitute the entire agreement between Debtor and Secured Party and supersede any prior agreements, undertakings, declarations, representations and understandings, both written and verbal, in respect of the subject matter hereof. Any amendment of this Security Agreement shall not be binding unless in writing and signed by Secured Party and Debtor.

25. **Severability.** Any provision of this Security Agreement prohibited by law or otherwise ineffective shall be ineffective only to the extent of such prohibition or ineffectiveness and shall be severable without invalidating or otherwise affecting the remaining provisions hereof.

¹² This section is found in most security agreements. Although it purports to be a waiver by the debtor of its rights under any statute that limits the remedies of the secured party, note that many of the debtor's rights under the PPSA, especially in Part 5 (dealing with enforcement) cannot be waived, or can only be waived after default.

26. **Joint and Several Liability.** ¹³ If more than one person executes this Security Agreement, their obligations hereunder shall be joint and several.

27. **Included Words.** Wherever the singular or the masculine are used herein, the same shall be deemed to include the plural or the feminine or the body politic or corporate where the context or the parties so require.

28. **Time is of the Essence.** Time shall in all aspects be of the essence in this Security Agreement and no exception or variation of this Security Agreement or any Obligation hereunder shall operate as a waiver of this provision.

29. **Governing Law and Attornment.** This Security Agreement shall be construed and enforceable under and in accordance with the laws of British Columbia. Debtor hereby irrevocably submits and attorns to the jurisdiction of the British Columbia Supreme Court sitting at Vancouver, British Columbia.

30. This Security Agreement shall be binding on Debtor, and its successors, heirs, administrators and executors and enure to the benefit of Secured Party and the successors and assigns of Secured Party.

31. EXECUTION¹⁴:

Officer Signature:

Execution Date

Y	M	D
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999999 B.C. Ltd.

Authorized Signatory

OFFICER CERTIFICATION:

Your signature constitutes a representation that you are a solicitor, notary public or other person authorized by the **Evidence Act**, R.S.B.C. 1979, c.116, 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.

¹³ A single debtor has entered into this security agreement, but it is fairly common to see more than one debtor enter into a security agreement.

¹⁴ The execution block of this security agreement complies with Part 5 of the *Land Title Act* (British Columbia), which sets out execution requirements for any document that will be registered in the Land Title Office. Note that this execution block is the same as is found in a land mortgage. Execution of the document must be “officered” or witnessed by a person authorized by the *Evidence Act* (British Columbia) to take affidavits for use in British Columbia. The reason this is included is that Section 2 of this agreement creates a floating charge on land of the debtor. Upon default by the debtor, this security agreement can be registered against land owned by the debtor in British Columbia, because it has been executed in compliance with the *Land Title Act*. If there were no floating charge in the GSA, the GSA would not have to be witnessed by an officer, but could be executed in the same manner as any other contract.