

APPENDIX 7B - STANDARD SECURITY TERMS

(see Article A517b)

1 PARTIES AND NATURE OF THE RELATIONSHIP

- 1.1 The Security Agreement is entered into between the Debtor and ACTRA to secure the performance by the Debtor of its Secured Obligations, (defined herein at paragraph 3), and to make the Collateral (defined herein at paragraph 4) security for such Secured Obligations, to the fullest extent allowed by applicable law.
- 1.2 The Secured Parties are ACTRA , which is the exclusive bargaining agent for all of the Performers who worked on the Production and the ACTRA Performers' Rights Society, a corporation whose function includes the collection and distribution of Use Fees and Residuals.
- 1.3 The Debtor acknowledges that the Secured Parties, collectively referred to as ACTRA, are thus entitled to represent the Performers in respect of any and all current and continuing claims for payment of Use Fees, Residuals, and other amounts payable under Part B of the IPA.
- 1.4 Name and address of the Secured Parties
- ACTRA
Fax: 1 (416) 489-8076
- ACTRA Performers' Rights Society
Fax: 1 (416) 489-1040
625 Church Street, 3rd Floor
Toronto, ON M4Y 2G1
- 1.5 The Debtor warrants and represents that under the terms of this Agreement, it is primarily liable for all obligations to report and remit Residual Payments, Use Fees and other payments, arising from the terms and conditions contained in Part B of the IPA, as if it was a signatory to the IPA and the terms of the IPA are hereby incorporated by reference.

2 CREATION OF SECURITY INTEREST

- 2.1 The Debtor hereby grants to ACTRA, in addition to any other rights or benefits previously granted by contract, Collective Agreement or otherwise, for value received and to secure the performance of the Obligations under this Security Agreement and as a general and continuing collateral security for the payment of the full sum of Performers Fees including but not limited to Use and Residual Fees and for the due performance, observance and

fulfillment of the Obligations of the Producer/Debtor, a Security Interest by way of a Charge ranking subordinate to those secured parties set out in section 7.1 hereof, but otherwise in first position in respect of the Collateral as defined herein, whether now owned or hereafter acquired directly or indirectly by the Debtor, whether now existing or hereafter arising, pursuant the Personal Property Security Act, RSo 1990, c. P.10 (the "PPSA") and the property described herein (hereinafter referred to as "Collateral").

- 2.2 All phrases which are defined in the IPA and not otherwise defined in this Security Agreement shall have the meaning ascribed by the IPA, and all phrases not otherwise defined in this Security Agreement shall have the meaning ascribed by the PPSA.

3 THE OBLIGATIONS

For certainty, the Obligations shall include but shall not be limited to:

- 3.1 the obligation to pay to Performers any and all Fees due for their services performed or to be performed in the Production and any and all compensation due by reason of the Distribution of all or part of the Production, in accordance and as defined by the terms of the IPA.; and
- 3.2 the obligation to pay Insurance and Retirement Savings contributions for the benefit of Performers, in accordance with the IPA, subject to any of the above obligations being assumed in writing by another entity by means of a Purchaser's Assumption Agreement or a Distributor's Assumption Agreement, with approval of ACTRA (not to be unreasonably withheld) whereupon they shall be excluded from the Obligations secured hereunder; and
- 3.3 the full, timely and faithful performance by Producer of all terms, provisions, covenants, conditions, agreements and obligations contained in or contemplated by this Security Agreement and the IPA.

4 COLLATERAL

- 4.1 "Collateral" means all right, title and interest of Producer in and to the Production, each of the component elements thereof and all rights appurtenant thereto, together with any and all proceeds and avails thereof. For certainty, no right or interest with respect to sequels, prequels, remakes, spin-offs or episodic series based on or derived from the Production or any of its underlying works nor any right to monies derived through the exploitation of ancillary, allied, underlying and like rights such as merchandising, novelization, music publishing, soundtrack and sequel rights. Any reference to Collateral shall, unless the context requires otherwise, be deemed a reference to "Collateral or any part thereof". For certainty, the Collateral includes:

- 4.1.1 all debts, accounts receivable, demands, and choses in action which are now due, owing or accruing due or which may hereafter become due, owing or accruing due to the Debtor and all claims of whatsoever nature or kind which the Debtor now has or may hereafter have, including claims against the Crown and claims under insurance policies;
- 4.1.2 all contracts, securities, bills, notes, lien notes, judgments, chattel mortgages, mortgages, and all other rights and benefits which now are or may hereafter be vested in the Debtor in respect of or as security for any of the said debts, demands, choses in action and claims;
- 4.1.3 all books, accounts, invoices, letters, papers and documents in any way evidencing or relating to any of the said debts, demands, choses in action and claims;
- 4.1.4 all negatives, video tapes, lavenders, dupes, sound tracks and positive prints connected with the Production whether in completed form or in some stage of completion; or any other media upon which the Production is recorded, and all rights in the said media, and other assets related to the Production of any nature, and any proceeds therefrom, now owned or which may from time to time be owned and acquired by the Debtor.
- 4.1.5 the single production right to the original idea and story upon which the Production is based, all scripts, screenplays and other written materials used or to be used in connection with the Production;
- 4.1.6 the synchronization rights in and to the lyrics, music and musical compositions as may be owned or acquired by Producer for use in the Production to the extent of such single use only;
- 4.1.7 all copyrights and licences obtained or to be obtained by Producer for use in connection with the Production to the extent of such single use only;
- 4.1.8 all sums obtained or to be obtained by Producer from distribution, exhibition and exploitation of the Production, including without limitation all moneys due or to become due to Producer under any distribution agreements entered into by Producer for the distribution of the Production; and
- 4.1.9 all recoveries under insurance policies issued in connection with the Production.
- 4.2 The Debtor expressly warrants that to the best of its knowledge and belief it has good title to its interest in the Collateral now due and will have good title to its interest in the Collateral to become due, free and clear of all liens and encumbrances except for the security interest granted hereby, the security interests in section 7.1 hereof or as disclosed to ACTRA and that no restrictions exist, or will exist by agreement or otherwise, with respect to any

of the said Collateral which impair the right of the Debtor to make this charge.

5 ENFORCEMENT COSTS

ACTRA acknowledges that it shall be solely responsible for all costs and expenses, including legal fees and disbursements, in perfecting and enforcing any of its rights under this Security Agreement, save and except as herein provided.

6 RIGHTS AND OBLIGATIONS OF DEBTOR

The Producer shall:

- 6.1.1 At no cost, execute and deliver such further agreements, contracts, documents and instruments (each a "Security Document") as ACTRA may reasonably prepare, require to perfect, protect or maintain the Security Interest provided for herein. If, within ten (10) business days of notice from ACTRA requesting any such Security Document, Producer fails to execute and deliver it consistent with the rights of ACTRA or to provide ACTRA with notice specifying with particularity Producer's objection to so doing, then Producer hereby irrevocably appoints ACTRA its true and lawful attorney-in-fact to execute, deliver, file and record, on its behalf and in its name, such Security Document. ACTRA will promptly provide Producer with a true and complete copy of each Security Document executed by ACTRA under this paragraph along with full information regarding each jurisdiction where it has been registered, filed or recorded.
- 6.1.2 Use all reasonable good faith business efforts to defend, at its own cost and expense, Producer's right, title and interest in and to the Collateral, and the Security Interest and rights of ACTRA, against all claims of infringement and against any and all claims by third parties arising out of or resulting from the use in the Production of any story, adaptation, idea, impersonation, character, photograph, music, musical composition or other material, provided that Producer may satisfy this requirement if Producer causes ACTRA to be named as an additional insured, as its interest may appear, on any standard policy of errors & omissions insurance maintained by Producers or its successors in interest with respect to the Production.
- 6.2 ACTRA acknowledges that Producer, and its successors, licensees, and assigns, are the persons undertaking the release and exploitation of the Production and all rights within or arising from it. ACTRA further acknowledges that prior to ACTRA realizing on its Security Interest in accordance with this Security Agreement, nothing in this Security Agreement authorizes or permits ACTRA to delay, enjoin, impede, impair or otherwise interfere with the development, production, distribution, advertising, marketing, turning to account or other exploitation of the Production or any

of the Collateral which is undertaken, authorized, permitted or allowed by Producer or any of its successors, licensees, or assigns in the sole exercise of their good faith business judgment, and nothing in this Security Agreement requires or prevents Producer or any of its successors in interest from taking or refraining from taking any action for any infringement or piracy of any rights in the Production or Collateral. ACTRA agrees that Producer has no obligation under this Security Agreement to release the Production or to exploit the Production or to realize any moneys with respect thereto in any manner.

- 6.3 Until default or unless otherwise agreed with the Secured Party, the Debtor may deal with Collateral in the ordinary course of the Debtor's business in any manner consistent with the provisions of this Security Agreement. If the Debtor desires to change its principal place of business or mailing address from that described in paragraph 5a above or if the Debtor wishes to move its records and accounts from that described in paragraph 5b above, or if the Debtor wishes to move the Production negatives or the positive copies of the Production from the locations described in paragraphs 5b, 5c and 5d above, the Debtor shall notify the Secured Party of the relevant change and do all such acts and execute all such documents as are required by ACTRA to effectively preserve and perfect the Secured Party's security therein in the jurisdiction to which such assets have been moved. For clarity, nothing herein shall require Debtor to notify ACTRA of the removal by any distributor of prints incorporating the Production.
- 6.4 The Debtor shall defend its own rights in Collateral against the claims and demands of all persons. The Debtor shall use its best efforts to maintain the negative and positive copies of the Production in Debtor's possession in a condition and state of repair that preserves the value of such Collateral. The Debtor will not knowingly commit or permit damage to or destruction of the negative of the Production.
- 6.5 The Debtor shall notify the Secured Party promptly of:
- a) any material change in the information contained in this agreement (including the schedules hereto) relating to the Debtor, the Debtor's business or Collateral,
 - b) the details of any change in name or address of the Debtor or location of Collateral;
 - c) the details of any disposition of the negative of the Production;
 - d) the details of any claim, or litigation materially affecting the ownership of the Collateral;
 - e) any material loss of or damage to Collateral;

f) any material default known to Debtor by any distributor or broadcaster which materially affects the likelihood of further use fees to ACTRA in respect of the Production.

6.6 The Debtor will conduct its business and affairs in a proper and efficient manner in accordance with applicable law and keep records relating to the Production in accordance with generally accepted accounting procedures. The Debtor shall pay all charges, taxes, assessments, claims, liens and encumbrances relating to Collateral or the Debtor's business and affairs when the same become due. The Debtor will deliver to the Secured Party promptly such information concerning Collateral, the Debtor and the Debtor's business and affairs as the Secured Party may reasonably request.

7 SUBORDINATION OF ACTRA SECURITY AGREEMENT

7.1 ACTRA acknowledges and agrees that the Security Interest will rank subordinate to security interests of the following: chartered bank, trust company or other recognized lending institution; government funded financiers, and (subject to the prior written approval of ACTRA) other lenders or financiers who specifically require priority providing project financing in respect of the Production.

Specifically in respect of the Production ACTRA hereby acknowledges and agrees that its Security Interest hereunder ranks subordinate to the security interests, whether registered or otherwise, of the following secured parties with respect to the Debtor and the Collateral:

Prior Secured Parties: _____

7.2 ACTRA further acknowledges that Producer, or its assigns, affiliates or successors, have licensed and may from time to time license certain rights in the Production to one or more distributors or licensees, which rights either have been or may be secured by security interests with respect to rights granted to them. ACTRA agrees that so long as all statements of receipts and payments have been timely paid or made by such distributor or licensee to Producer with respect to the rights and territories granted to such distributor or licensee, ACTRA will not disturb the peaceful and quiet enjoyment of the rights granted to such distributor or licensee, nor attempt to enjoin, impair or interfere with the exercise of its rights.

7.3 In the event that the Producer defaults (as per Article 8) and fails to adequately assert or protect its contractual or other rights to receive payments from third parties, pursuant to Licensing or Distribution agreements or the like, the Debtor agrees that ACTRA shall have the right of subrogation and it shall be entitled to take any steps it deems necessary for the protection of such rights, including, but not limited to, the right to commence any legal action in the place of the Debtor. However, any such step or action shall be in ACTRA's name and at ACTRA's sole expense. ACTRA

shall be reimbursed for any and all reasonable costs of the action, audit, or the like in first position from any funds recovered. All recovered funds shall be directed to be paid and held by a trustee, who will disburse such funds in accordance with entitlement.

8 EVENTS OF DEFAULT

- 8.1 The Debtor shall be in default under this Security Agreement upon occurrence of any of the following:
 - 8.1.1 Non-payment when due, whether by acceleration or otherwise, of any amounts secured by this Security Agreement, or the failure to comply with any provisions of Part B of the IPA in any material way, subject to paragraph 8.1.2.
 - 8.1.2 Failure to comply within 30 days after written notice from the Secured Party demanding compliance with any provision contained in the IPA or this Security Agreement and if compliance is not practically possible, failure to take steps that will produce compliance as soon as is reasonably practical.
 - 8.1.3 If any representation or statement made or furnished in this Security Agreement or under the IPA to the Secured Party by or on behalf of the Debtor proves in any material respect to have been false when made or furnished.
 - 8.1.4 Bankruptcy of the Debtor; the filing against the Debtor of a petition in bankruptcy if such petition remains uncontested for 30 days; the making of an authorized assignment for the benefit of creditors by the Debtor; the appointment of a receiver, trustee, or liquidator for the Debtor or for any asset of the Debtor if such appointment continues for 30 days or more; or the institution by or against the Debtor or any type of insolvency proceeding or creditor re-arrangement.

9 SECURED PARTY RIGHTS AND OBLIGATIONS

- 9.1 In addition to the rights granted herein, the Secured Party may enforce any other rights and remedies it may have at law or in equity, and specifically shall have all rights and remedies of a secured party under the PPSA. All rights and remedies of the Secured Party shall be cumulative.
- 9.2 The Secured Party shall have the right at any time upon reasonable notice to confirm the existence and state of Collateral in any manner the Secured Party may consider appropriate and the Debtor agrees to furnish all assistance as the Secured Party may reasonably request in connection therewith. Upon the occurrence of an event of default, the Debtor grants to the Secured Party or its agents access to all places where Collateral may be located and to all

premises occupied by the Debtor for the purposes of inspection or obtaining possession.

- 9.3 The Secured Party may appoint by instrument a receiver or other person to act on its behalf before or after default or in any insolvency or like proceedings (receiver includes a receiver-manager). The appointee has all the powers of the Secured Party under this Security Agreement. In addition, on instructions from the Secured Party, the receiver shall be entitled in connection with any enforcement proceeding hereunder to carry on the business of the Debtor in respect of the Production with all the powers that the Debtor would have to operate its business for such time as the receiver determines advisable and in the best interest of the Secured Party.
- 9.4 The Secured Party may, subject to Debtor's rights under the PPSA, take possession of, collect, demand, sue on, enforce, recover and receive Collateral and give binding receipts and discharges therefor. The Secured Party in possession may, subject to Debtor's rights under the PPSA, use Collateral as it sees fit, providing that any income from Collateral is applied to the Debtor's account. Upon default, the Secured Party may also, subject to Debtor's rights under the PPSA, sell, lease or otherwise dispose of Collateral in any commercially reasonable manner.
- 9.5 At any time after the occurrence of an event of default the Secured Party may direct account debtors of the Debtor in respect of the Production to make all payments owing to the Debtor directly to the Secured Party by notifying such account debtors of the Secured Party's interest, either before or after default; and upon notice from the Secured Party to the Debtor, any payments received by the Debtor in respect of the Production whether before or after notification to account debtors, shall be held by the Debtor in trust for the Secured Party in the same medium in which received, shall not be commingled with any assets of the Debtor, and shall be turned over to the Secured Party forthwith upon receipt.
- 9.6 The Debtor agrees to pay, subject to limitations under the PPSA or IPA, all charges, including solicitors', auditors', receivers' or like persons' costs and remuneration or other expenses reasonably incurred by the Secured Party or other party appointed by the Secured Party in operating the Debtor's accounts but the Secured Party shall pay the fees and expenses of preparing or otherwise enforcing the terms of this Security Agreement.
- 9.7 No variation, amendment (except for any schedule which may be added hereto pursuant to the provisions of this agreement) or waiver of any provision of this Security Agreement shall be effective unless made by written agreement executed by the parties to this Security Agreement. The Secured Party may remedy any default or perform any duty of the Debtor hereunder or with respect to any indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by the Debtor. The Secured Party may grant extensions

of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release Collateral to third parties and otherwise deal with the Debtor's guarantors or sureties and others and with Collateral and other securities 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 Collateral.

10 SUCCESSOR INTERESTS

This Security Agreement shall enure to the benefit of the and be binding on the parties hereto and their respective heirs, executors, administrators, successors and assigns.

11 APPLICABLE LAW

11.1 This Security Agreement shall be governed by the laws of the Province of Ontario, unless otherwise agreed by the parties.

12 TERMINATION

12.1 Upon provision to ACTRA of a Purchaser's Assumption Agreement, or a Distributor's Assumption Agreement or a Distribution Guarantee in accordance with the provisions of the IPA, ACTRA shall be deemed to have discharged its security interest and ACTRA shall, at the written request and at no cost to Debtor, cancel and discharge all security interests under this Security Agreement and execute and deliver to the Debtor such deeds or other instruments (collectively, "Release Documents"; individually, a "Release Document") as shall be required to effect such discharge and to register notice of such discharge under the PPSA and such other jurisdictions as the Secured Party may have registered its security interest. If within 10 business days of notice from Debtor requesting any such Release Document, ACTRA fails to execute and deliver it or to provide to Debtor notice specifying with particularity ACTRA's objection to so doing, then ACTRA hereby irrevocably appoints Debtor its true and lawful attorney in fact to execute, deliver, file and record on its behalf and in its name such Release Documents. Debtor will promptly provide ACTRA with a true and complete copy of each Release Document executed by Debtor under this paragraph along with full information regarding each jurisdiction where it has been registered, filed or recorded.