

THIS AGREEMENT dated this 26 day of October, 2016.

BETWEEN:

**CIELO WASTE SOLUTIONS CORP.**

a corporation duly incorporated and subsisting  
under the law of the Province of British Columbia  
(hereinafter referred to as the "Debtor")

- in favour of -

**FS BUSINESS ENTERPRISES INC.**

a corporation duly incorporated and subsisting  
under the law of the Province of Alberta  
(hereinafter referred to as the "Secured Party")

**GENERAL SECURITY AGREEMENT**

1. **Definitions**

In construing this Agreement:

- (a) **"Act"** means the *Personal Property Security Act*, RSA 2000 Ch. P-7, as amended, along with the regulations thereunder;
- (b) **"Collateral"** means all Goods, Chattel Paper, Securities, Documents of Title, Instruments, Money or Intangibles described in Schedule "A" attached hereto and forming part of this Agreement and all parts, accessories, attachments, equipment, additions, accretions thereto and property thereof, together with any equipment or accessories placed upon or repairs made to the foregoing during the continuance of this Agreement;
- (c) **"Indebtedness"** means any and all present and future indebtedness of the Debtor to the Secured Party whether voluntarily or involuntarily incurred, whether due or not due, and whether absolute, inchoate, contingent, liquidated or unliquidated, and including, the without limitation, all amounts and obligations owing to the Secured Party under and by virtue of the Master Agreement between the Debtor and the Secured Party dated October 26, 2016 (the "Master Agreement");
- (d) **"Permitted Encumbrances"** means any security granted to third parties with standing in priority to that of the Secured Party granted herein, in particular as set out in Schedule "B", attached hereto;
- (e) Unless specifically defined herein, all capitalized terms used herein shall have the same meaning as ascribed to them in the Act.

2. **Security Interest**

For Value given by the Secured Party to the Debtor, the receipt and sufficiency of which the Debtor hereby acknowledges, the Debtor hereby grants to the Secured Party a

Security Interest in the Collateral and Proceeds to secure payment of the Indebtedness, subject to the Permitted Encumbrances.

3. **Covenants**

The Debtor covenants and agrees with the Secured Party:

- (a) that on execution of this Agreement the Debtor will be in possession of the Collateral;
- (b) to do, execute, acknowledge and deliver such financing statements and further assignments, transfers, conveyances, documents, acts, matters and things as may be reasonably requested by the Secured Party of or with respect to the Collateral in order to give effect to these presents and to pay all costs for searches and filings in connection therewith and for the preparation of this Agreement, including solicitor's fees and disbursements incurred by the Secured Party in connection with the foregoing, as between a solicitor and his own client;

4. **Default**

The happening of any of the following shall constitute default by the Debtor hereunder:

- (a) if the Debtor shall default in making any payment due to the Secured Party with respect to the Indebtedness and does not remedy such default within 15 business days of written notice of such default;
- (b) if the Debtor shall be in default under or be in breach of any provision of this Agreement, including, without limitation, the Master Agreement and any other provision in any other agreement issued in favour of the Secured Party in connection with the Equipment (as defined in the Master Agreement);
- (c) if an order shall be made or an effective resolution passed for the winding up of the Debtor, or if a petition is filed for the winding-up of the Debtor;
- (d) if the Debtor shall make an assignment for the benefit of creditors or be declared bankrupt, or if a custodian or receiver or receiver and manager or other officer with similar powers be appointed with respect to the Debtor or any of the Debtor's property or if the Debtor voluntarily files a petition in bankruptcy, or commits any act of bankruptcy or proposes to take the benefit of any provision of the Companies Creditors Arrangement Act as now or hereafter in force or makes any arrangement with its creditors pursuant to the terms of the Business Corporations Act of British Columbia or any similar act in the jurisdiction of the Debtor as now or hereafter in force;
- (e) if the Debtor passes or purports to pass any resolution or takes or purports to take any corporate proceedings to enable it to take proceedings for its dissolution, liquidation or amalgamation;
- (f) if the Debtor shall lose its charter by expiration, forfeiture or otherwise or if a

receiver or a receiver-manager for all or any part of the Debtor's assets or any other party with like powers shall be appointed,

- (g) if the Security Interest granted to the Secured Party hereunder shall cease to be in full force and effect or the validity thereof or of any of the obligations of the Debtor hereunder shall be disaffirmed by or on behalf of the Debtor.

## 5. **Remedies**

Upon default by the Debtor hereunder:

- (a) the Secured Party, at its sole discretion, may declare any or all of the Indebtedness, which is not by its terms payable on demand, to be immediately due and payable, without demand or notice of any kind;
- (b) the Debtor will forthwith upon demand assemble and deliver to the Secured Party possession of all of the Collateral at such places as may be specified by the Secured Party. In any event, at its option, the Secured Party may take such steps as it considers necessary or desirable to obtain possession of all or any part of the Collateral, and to that end the Debtor agrees that the Secured Party may by its servants, agents or Receiver at any time during the day or night enter upon lands and premises, and if necessary forcibly or otherwise enter any premises where the Collateral may be found, or where the Secured Party believes the Collateral to be located for the purpose of taking possession of and removing the Collateral or any part thereof;
- (c) the Secured Party may proceed to enforce payment of the Indebtedness and exercise all of the rights and remedies of the Secured Party provided for in this Agreement and in the Act, as well as any and all other rights and remedies available to the Secured Party at law or in equity, and may proceed to enforce any other agreement entered into between the Debtor and the Secured Party;
- (d) the Debtor agrees to assign to the Secured Party, in writing, at the Secured Party's option, any payment due or to become due to the Debtor from or under any agreement with or payment from its clients and the Government of Alberta or one of them, and any rental payments due or to become due to the Debtor from or under any lease of the Collateral;
- (e) the Secured Party may use the Collateral in any manner as to it in its sole discretion seems advisable, and neither the Secured Party, a Receiver, nor any Sheriff is required to keep the Collateral identifiable;
- (f) the Secured Party may by instrument in writing appoint any person or persons, a Receiver or Manager or Receiver and Manager (hereinafter called the "Receiver") of the Collateral or any part thereof and may remove the Receiver so appointed by it and appoint another or others in his or their stead or may take proceedings in any court of competent jurisdiction for the appointment of a Receiver of all or any

part of the Collateral and;

- (i) the Secured Party may from time to time fix the remuneration of the Receiver;
- (ii) the Receiver shall so far as concerns responsibility for his acts and omissions be deemed to be the agent of the Debtor and not the agent of the Secured Party and the Secured Party shall not be responsible in any way for any misconduct or negligence on the part of the Receiver;
- (iii) the Debtor shall cooperate fully with and assist the Receiver forthwith upon request and shall promptly confirm and ratify all acts of the Receiver;
- (iv) the Secured Party shall not be responsible or liable for any debts contracted by the Receiver or for damages to persons or property or for salaries or for non-fulfilment of contracts during any period when the Receiver is in possession of the Collateral;
- (v) the Debtor shall yield up possession of the Collateral and the conduct of the Debtor's business in connection therewith to the Receiver upon demand to the extent that possession or management is, in the sole discretion of the Receiver, necessary for or incidental to realizing on or dealing with the Collateral or the exercise of any rights or duties granted to or imposed upon the Receiver under this Agreement and the Debtor shall facilitate by all legal means the actions of the Receiver and shall not interfere with the carrying out of the powers hereby granted to the Receiver and the Debtor shall forthwith execute such documents and transfers as may be necessary to place the Receiver in legal possession of the Collateral;
- (vi) the Secured Party or any subsidiary, agent or representative thereof may become purchasers at any sale of the Collateral whether such sale is made under any power of sale contained in this Agreement or pursuant to judicial proceedings;
- (vii) to enable the Receiver to exercise the powers granted pursuant to the terms of this Agreement the Debtor hereby irrevocably appoints the Receiver attorney on the Debtor's behalf to do all acts and things on behalf of and in the name of the Debtor as may be authorized by the provisions of this Agreement, including carrying out any sale of any or all of the Collateral and affixing the seal of the Debtor, if a corporation, to any deeds, transfers, conveyances, assignments, assurances, documents and things which in the Receiver's discretion ought to be executed to complete any sale or transfer of any or all of the Collateral or alternatively, to execute the same under the Receiver's own seal, by conveying in the name of and on behalf of the Debtor, and any deed, transfer or other instrument signed by the Receiver under his seal shall have the same effect as if it were validly executed by the Debtor;
- (g) subject to the Act, all monies collected or received by the Secured Party pursuant to or in exercise of any right it possesses with respect to the Collateral shall be applied on account of the Indebtedness in such manner as the Secured Party deems appropriate 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;

- (h) the Debtor acknowledges and agrees that the enforcement of the Security Interest hereby created and any realization upon the security of the Collateral shall not in any way restrict, hinder or estop the Secured Debtor from suing for and obtaining judgment against the Debtor for any amount which may remain due in respect of this Agreement after the application of the proceeds of any sale, disposal or leasing of the Collateral, including all legal fees and disbursements as between a solicitor and his own client and any and all other reasonable professional fees including, without limitation, Receiver and accounting fees and disbursements;
- (i) at the option of the Secured Party, and to the extent and in the manner provided in the Act, the Secured Party may elect to retain all or any part of the Collateral in satisfaction of the Indebtedness or any part thereof;
- (j) in the event of the Secured Party taking possession of the Collateral, or any part thereof, in accordance with the provisions of this Agreement, the Secured Party shall have the right to maintain the same upon the premises on which the Collateral may then be situated, and for the purpose of such maintaining shall be entitled to the free use and enjoyment of all necessary buildings, premises, housing, and accommodation for the proper maintaining, housing and protection of the Collateral;
- (k) the Secured Party may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the debtors of the Debtor, sureties and others and with the 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 the Collateral;
- (l) the Secured Party may, either directly or through its agents or nominees, exercise any or all of the powers and rights given to a Receiver under this Agreement;
- (m) the rights and remedies herein conferred upon the Secured Party shall be cumulative and not alternative and shall be in addition to and not in substitution or derogation of rights and remedies conferred by the Act and any other applicable law.

## 6. **Powers of Receiver**

Any Receiver appointed by the Secured Party shall have the power:

- (a) to take possession of and get in all or any part of the Collateral;
- (b) to carry on, manage and conduct or to concur in the carrying on, management and conduct of the business of the Debtor and to receive the revenues, incomes, issues and profits of the Collateral and of carrying on the business of the Debtor and to pay therefrom all expenses, charges and borrowings incurred or payable in carrying on the business or otherwise;
- (c) to borrow monies for the purposes of the business of the Debtor, the maintenance

- and preservation of the Collateral or any part thereof and in so doing the Receiver may issue certificates payable when the Receiver thinks expedient and bearing interest as stated therein and the amounts from time to time payable thereunder shall charge the Collateral in priority to this Agreement;
- (d) to sell and dispose of any or all of the Collateral at public auction, by public or private tender or by private sale at such time and on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price, and as to method of payment whether by way of deferred payment or otherwise, as the Receiver shall in its sole discretion determine and to deliver to the purchaser or purchasers of the Collateral good and sufficient deeds or title documents for the same, the Receiver being hereby constituted the irrevocable attorney of the Debtor for the purpose of making such sale and executing such deeds and transfer documents and any such sale shall be absolute and conclusive as against the Debtor or any person claiming by, from, through or under the Debtor and the Debtor's assigns;
  - (e) to make any arrangement or compromise which the Receiver shall deem expedient;
  - (f) to sue or defend any action in the name of the Debtor;
  - (g) to lease or concur in the leasing of the whole or any part of the Collateral;
  - (h) to exercise all or any of the powers or rights incident to the ownership of the Collateral;
  - (i) to employ or retain for the execution of the duties and powers conferred upon him hereunder such agents, assistants, professional advisors or other persons as required on the terms and at the remuneration the Receiver considers proper;
  - (j) to release any of the Collateral which in the Receiver's opinion is unprofitable or unrealizable or a source of loss or danger;
  - (k) to exercise all rights and powers of the Secured Party hereunder and to act generally in relation to the Collateral in such manner and on such terms as may be expedient and in the best interests of the Secured Party;
  - (l) to agree to any modification, compromise, release or waiver of the rights of the Secured Party against the Debtor or against the Collateral whether such rights shall arise under this Agreement or otherwise;
  - (m) if a sale is on credit the Receiver shall not be accountable for any monies until actually received.

**7. Perform Obligations of Debtor**

The Secured Party shall have the right, to perform any of the obligations of the Debtor hereunder and the Debtor shall forthwith pay to the Secured Party upon written demand therefor, an amount equal to the expense incurred by the Secured Party in so doing,

together with interest from the date such expense is incurred until it is.

8. **Reservation**

The last day of any term reserved by any lease or agreement to lease is excepted out of the Security Interest hereby created and does not form part of the Collateral but upon enforcement of the Security Interest the Secured Party shall stand possessed of such last day in trust to assign the same to any person acquiring such term.

9. **Proceeds in Trust**

All Proceeds from the sale or other disposition of the Collateral hereunder realized by the Secured Party or any agent on the Debtor's behalf shall be held in trust by the Debtor for the Secured Party.

10. **Collection of Debts**

Before or after default under this Agreement, the Secured Party may notify all or any Account Debtors of the Security Interest and may also direct such Account Debtors to make all payments on the Collateral to the Secured Party.

11. **Notice**

Any demand or notice referred to in this Agreement may be effectively given in the manner provided for in the Act.

12. **Governing Law**

This Agreement shall be governed and construed in accordance with the laws of the Province of British Columbia and the Debtor irrevocably agrees that any suit or proceeding with respect to matters arising out of or in connection with this Agreement may be brought in courts of the Province of British Columbia or in any court of competent jurisdiction as the Secured Party may elect and the Debtor agrees to attorn to same.

13. **Joint and Several**

If one or more persons executes this Agreement, their obligation shall be joint and several and each shall remain liable hereunder until all are released in full.

14. **Number and Gender**

Wherever the singular, plural, masculine, feminine or neuter is used throughout this Agreement, the same shall be construed as meaning the singular, plural, masculine, feminine, neuter, body politic or body corporate where the facts or context so requires.

15. **Headings**

The headings in this Agreement have been inserted for reference and as a matter of

convenience only and in no way define, limit or enlarge the scope or meaning of this Agreement or any provisions hereof.

16. **Time of Essence**

Time shall be of the essence of this Agreement with respect to the Debtor.

17. **No Representations**

There are no representations, warranties, agreements or conditions, express or implied, statutory or otherwise, given by the Secured Party to the Debtor.

18. **Deficiency**

If the Security Interest in the Collateral is not sufficient, in the event of default, to satisfy the Indebtedness, the Debtor acknowledges and agrees that the Debtor shall continue to be liable for any deficiency remaining outstanding and the Secured Party shall be entitled to pursue full payment thereof.

19. **Continuing Security**

This Agreement and the security afforded hereby is in addition to and not in substitution for any other security now or hereafter held by the Secured Party and is intended to be a continuing security agreement and shall remain in full force and effect until the Indebtedness is repaid and the obligations of the Debtor to the Secured Party performed notwithstanding that the Indebtedness is reduced from time to time and thereafter increased or entirely extinguished, or the Secured Party, by instrument in writing terminates this Agreement. In the event of a conflict between the terms and conditions of this Agreement and the terms and conditions of the Master Agreement, the terms and conditions of this Agreement shall prevail.

20. **No Merger or Novation**

Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the obligation of the Debtor to pay the Indebtedness, and shall not operate as a merger of any covenant in this Agreement, and the acceptance of any payment or alternate security shall not constitute or create a novation, and the taking of a judgment or judgments under any covenant herein shall not operate as a merger of such covenant.

21. **Attachment**

The Security Interest created hereby is intended to attach when this Agreement is signed by the Debtor and delivered to the Secured Party.

22. **Unenforceable Terms**

If any term, covenant or condition of this Agreement or the application thereof to any party or circumstance shall be invalid or unenforceable to any extent the remainder of this



Agreement or the application of such term, covenant or condition to a party or a circumstance other than those to which it is held invalid or unenforceable shall not be affected thereby and each remaining term, covenant or condition of this Agreement shall be valid and shall be enforceable to the fullest extent permitted by law.

23. **Assignment**

This Agreement is not assignable by the Debtor without the express prior written consent of the Secured Party. The Debtor shall not assert against any assignee of the Secured Party any claim or defense which the Debtor now has or hereafter may have against the Secured Party.

24. **Law of Property Act**

The Debtor covenants and agrees that the provisions of the *Law of Property Act* of the Province of British Columbia shall have no application to this Agreement or to any agreement or instrument renewing or extending or collateral to this Agreement or to die Collateral, and, to the extent permitted by law, the Debtor hereby expressly waives the provisions of the *Law of Property Act*.

25. **Unreasonable**

Nothing in this Agreement shall be construed to mean that the Secured Party may act in a commercially unreasonable manner or in bad faith.

26. **Enurement**

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors, the assigns of the Secured Party and the permitted assigns of the Debtor.

27. **Acknowledgement of Receipt**

The Debtor acknowledges having received a duplicate executed copy of this Agreement on the date of its execution and the Debtor waives any right it may have to receive a Financing Statement or Financing Change Statement.

**IN WITNESS WHEREOF** the Debtor has executed this Agreement as of the day and year first above written.

Barb Allan

Witness

Barb Allan

Print Name Of Witness

**CIELO WASTE SOLUTIONS CORP.**

Per: [Signature]

(with authority to bind the corporation)

## SCHEDULE "A"

### Description of Collateral

All of the Debtor's present and after acquired personal property being Goods, Documents of Title, Securities, Chattel Paper, Instruments, Money and Intangibles, including, without limitation, the following:

1. All present and after-acquired Equipment, and any Proceeds therefrom, including, without limiting the generality of the foregoing, any interest of the Debtor in the catalytic fractionated conversion research and development demonstration unit, and all fixtures, plant, machinery, tools and furniture nor or hereafter owned or acquired.
2. All present and after-acquired Inventory and any Proceeds therefrom, including, without limiting the generality of the foregoing, all raw materials, Goods in process, finished Goods, diesel and packaging material and Goods acquired or held for sale or furnished or to be furnished under contracts of rental or service; and
3. All present and after-acquired Intangibles and Proceeds therefrom, including, without limiting the generality of the foregoing, all debts, accounts, choses in action, claims, demands and monies now due or owing or accruing due or which may hereafter become due or owing to the Debtor, including (without limiting the foregoing) claims against the Crown in the Right of Canada or of any province, monies which may become payable under any policy or insurance in respect of any loss by fire or other cause which has been or may be incurred by the Debtor (collectively called "Book Debts"), together with all contracts, securities, bills, notes, lien notes, judgments, chattel mortgages, mortgages and all other rights, benefits and documents now or hereafter taken, vested in or held by the Debtor in respect of or as security for the Book Debts hereby assigned or intended so to be or any part thereof and the full benefit and advantage thereof.

**SCHEDULE "B"**

**Permitted Encumbrances**

Security interest granted to debenture holders of Cielo in an aggregate amount equal to **\$699,867.53**

BETWEEN:

CIELO WASTE SOLUTIONS CORP.

- in favour of –

FS BUSINESS ENTERPRISES INC.

GENERAL SECURITY AGREEMENT