

9-27-01

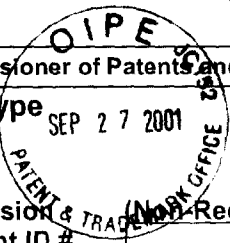
10-03-2001



REI

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ET



TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

Conveyance Type

New

Resubmission (Non-Recordation)
Document ID # _____

Correction of PTO Error
Reel # _____ Frame # _____

Corrective Document
Reel # _____ Frame # _____

Assignment License

Security Agreement Nunc Pro Tunc Assignment
Effective Month Day Year _____

Merger

Change of Name _____

Other _____

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name **DISQUE AMERIC INC./AMERIC DISC INC.**

08302001

Formerly _____

Individual General Partnership Limited Partnership Corporation Association

Other _____

Citizenship/State of Incorporation/Organization **CANADA**

Receiving Party

Mark if additional names of receiving parties attached

Name **GENERAL TRUST OF CANADA**

DBA/AKA/TA _____

Composed of _____

Address (line 1) **1100 UNIVERSITY STREET**

Address (line 2) _____

Address (line 3) **MONTREAL**

City

QUEBEC, CANADA

State/Country

H3B 2G7

Zip Code

Individual General Partnership Limited Partnership Corporation Association

Other _____

Other **COMPANY**

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

Citizenship/State of Organization **CANADA**

FOR OFFICE USE ONLY

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TRADEMARK

REEL: 002377 FRAME: 0339

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages Enter the total number of pages of the attached conveyance document including any attachments. #

Trademark Application Number(s) or Registration Number(s) Mark if additional numbers attached
Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1916082"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="2424795"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Number of Properties Enter the total number of properties involved. #

Fee Amount Fee Amount for Properties Listed (37 CFR 3.41): \$

Method of Payment: Enclosed Deposit Account

Deposit Account (Enter for payment by deposit account or if additional fees can be charged to the account.) #

Deposit Account Number:

Authorization to charge additional fees: Yes No

Statement and Signature

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

Mark Iskowitz
Name of Person Signing

Mark Iskowitz
Signature

9/27/01
Date Signed

DEED OF HYPOTHEC AND ISSUE OF BONDS

ON THE THIRTIETH (30th) DAY OF AUGUST TWO THOUSAND AND ONE (2001).

B E F O R E Mtre Catherine Bolduc the undersigned notary for the Province of Québec, practicing in Montréal.

APPEARED: **GENERAL TRUST OF CANADA**, a company constituted under *An Act Respecting Trust Companies and Savings Companies* and Part I of the *Companies Act* (Québec), having its head office at 1100 University Street, Montréal, Québec, H3B 2G7, herein acting and represented by Andrée Binette, its Section Manager and by Nathalie Gagnon, its Account Manager, hereunto authorized pursuant to a resolution adopted on July 16, 2001, a certified copy of which is annexed hereto after having been acknowledged true and signed for the purpose of identification by the said representatives in the presence of the undersigned Notary. Notice of its address has been registered at the Register of Personal and Movable Real Rights under number 000518 and at the Land Registry of the registration division of Drummond under number 38570.

(hereinafter the "Trustee")

AND: **DISQUE AMÉRIC INC./AMERIC DISC INC.**, a corporation constituted under the *Canada Business Corporations Act*, having its head office at 2525 Canadien Street, Drummondville, Québec, J2C 7W2, herein acting and represented by Claude Raymond, its Vice-President, Finance and Administration, and by Pierre Poirier, its Secretary, duly authorized pursuant to a resolution adopted by its sole shareholder on August 30, 2001, a certified copy of which is annexed hereto after having been acknowledged true and signed for the purpose of identification by said representatives in the presence of the undersigned Notary.

(hereinafter the "Grantor")

WHICH PARTIES HAVE DECLARED AS FOLLOWS:

WHEREAS the Grantor is duly authorized to create and issue Bonds and to secure the same as provided for by this Deed:

WHEREAS the Grantor is desirous of creating, issuing and securing Bonds in the manner hereinafter appearing;

WHEREAS the execution of this Deed and the issue and security of the Bonds in conformity thereof have been duly authorized.

NOW, THEREFORE, THE PARTIES HERETO HAVE AGREED AS FOLLOWS:

1. INTERPRETATION

1.1 Definitions

The following terms, wherever used in this Deed, shall, unless there be something in the context inconsistent therewith, have the following meanings:

- 1.1.1** "Agent" means National Bank of Canada in its capacity as agent for all lenders which may be a party to the Credit Agreement and includes any successor in such capacity;
- 1.1.2** "Bonds" means any or all of the Bonds, issued from time to time pursuant to this Deed and outstanding hereunder;
- 1.1.3** "Bondholder" or "Holder" means any person in whose name Bonds are registered in the register kept by the Trustee in accordance with the provisions hereof;
- 1.1.4** "Bondholders' Instrument" means at any time a document signed by all the holders of the Bonds at such time outstanding;
- 1.1.5** "Business Day" means a day on which the Trustee is opened for business but does not include a Saturday and a Sunday.
- 1.1.6** "Canadian Dollars" or "CDN\$" means the legal currency in Canada;
- 1.1.7** "Credit Agreement" means the credit agreement dated as of November 21, 1996, entered among the Grantor, as borrower, National Bank of Canada, as agent, and National Bank of Canada, Bank of Montreal, Société Générale (Canada) (which assigned its participation to The Toronto-Dominion Bank pursuant to an assignment agreement executed on September 8, 1998), La Caisse centrale Desjardins du Québec and ABN AMRO Bank Canada, as lenders, providing for the granting to the Grantor of credit facilities for a maximum aggregate amount of CDN\$50,000,000 and US\$30,000,000 as

amended by three supplemental credit agreements dated May 5, 1997, July 15, 1999 and May 1st, 2000 and a standstill agreement executed by the Grantor, its U.S. subsidiaries and the Agent on July 30, 2001 (as such agreement may be further amended, supplemented or restated and otherwise modified from time to time);

- 1.1.8 "Charged property" shall have the meaning ascribed to it in Section 4 hereof;
- 1.1.9 "Default" means any of the events set out in Section 13 hereof;
- 1.1.10 "Grantor" means Disque Améric Inc./Americ Disc Inc. and any of its permitted successors or assigns;
- 1.1.11 "Hypothec" means the hypothec created pursuant to Section 4 hereof;
- 1.1.12 "Material Contracts" shall have the meaning ascribed to it in sub-paragraph 4.5.2 hereof;
- 1.1.13 "Property in Stock" shall have the meaning ascribed to it in paragraph 4.4 hereof;
- 1.1.14 "Secured Obligations" means all of the obligations which are to be secured by the Hypothec pursuant to Section 6 hereof;
- 1.1.15 "this Deed", "these presents", "herein", "hereby", "hereunder", "hereof" and similar expressions refer to this Deed, and to any deed or document supplemental or complementary hereto or restating this Deed;
- 1.1.16 "Trustee" means the person appointed as *Fondé de pouvoir* for the Bondholders pursuant to Section 2 hereof and shall include its successors or assigns appointed pursuant to the provisions hereof.

1.2 Gender

Unless there be something in the context inconsistent therewith, words importing the masculine gender shall include the feminine gender and vice versa.

1.3 Headings

The division of this Deed into sections, subsections and paragraphs and the insertion of titles are for convenience of reference only and do not affect the meaning or the interpretation of the present Deed. Unless otherwise indicated, a

reference to a particular section, subsection or paragraph is a reference to the particular section, subsection or paragraph in this Deed.

1.4 Benefits of this Deed

The parties hereto and the Bondholders shall be bound by the provisions hereof (including the irrevocable appointment in Section 2 below) and the benefits, rights, remedies or claims under this Deed shall enure to them to the exclusion of any others.

1.5 Delays and calculation of delays

The delays provided hereunder are calculated simultaneously with the delays imposed by law and are not in addition to such delays. In the calculation of delays, the first day is not included but the last is. When the date on which a delay expires or a payment has to be made or an act has to be done is not a Business Day, the delay expires or the payment must be made or the act must be done on the next following Business Day, unless the context indicates otherwise.

2. APPOINTMENT OF THE TRUSTEE AS *FONDÉ DE POUVOIR*

The Grantor hereby irrevocably appoints GENERAL TRUST OF CANADA, and GENERAL TRUST OF CANADA irrevocably accepts (subject to paragraph 16.6 hereof), to act as *Fondé de pouvoir* ("person holding the power of attorney") as contemplated in Article 2692 of the *Civil Code of Québec* on behalf of the present and future Bondholders, in order to receive and hold any right, hypothec and security interest created hereby and hereafter created or constituted, as continuing security for the payment of the Bonds.

3. CHARACTERISTICS AND ISSUE OF BONDS

3.1 Maximum amount

The Bonds to be issued from time to time hereunder shall not exceed an aggregate principal nominal value of One Hundred and Twenty-Five Million Canadian Dollars (CDN\$125,000,000).

3.2 Bond Certificate

The Bonds shall be substantially in the form set out in paragraph 20.9 with such appropriate additions and variations as shall be required and as shall be determined by the Grantor with the Trustee's approval and the Trustee's certification of any such Bonds shall be conclusive evidence of such approval. The Trustee shall have the right to annotate any certificate representing the Bonds in order to make the

reference thereon to any supplement to or modification of these presents. Such annotation shall be binding upon the Grantor and the Bondholders as if forming part of the certificate's original wording.

3.3 Bond Characteristics

The Bonds

- 3.3.1** shall be issued as fully registered Bonds;
- 3.3.2** may be issued in any denominations in Canadian Dollars;
- 3.3.3** shall be dated the date of issue thereof;
- 3.3.4** shall be payable on demand of the Bondholder or on its behalf;
- 3.3.5** shall be payable at the address in Canada on the Bond certificate or at any other address in Canada subsequently given by the Bondholder to the Grantor or the Trustee;
- 3.3.6** shall bear interest from their date of issuance until payment, at a rate equal to twenty-five percent (25%) per annum, calculated annually and payable on demand of the Bondholder; all overdue interest shall bear interest at the same rate, calculated daily from its due date until the actual date of payment; the principal of and the interest on the Bonds and any sums which may become payable hereunder or under such Bonds shall be payable in Canadian Dollars;
- 3.3.7** shall be signed by two duly authorized representatives of the Grantor;
- 3.3.8** shall be issued from time to time after the execution of this Deed, as determined by resolution of the sole shareholder of the Grantor;
- 3.3.9** shall be certified by the Trustee and delivered by it to or to the order of the Grantor upon receipt by the Trustee of a written delivery order signed by two duly authorized representatives of the Grantor;
- 3.3.10** shall be issued for such amounts or for such consideration and to such holders and on such terms as may be determined by the sole shareholder of the Grantor;

3.3.11 shall rank equally and be equally and ratably secured notwithstanding the date of their issuance or the date of their certification by the Trustee.

3.4 Certification of Bonds

The certification by the Trustee of any of the Bonds shall be conclusive evidence that the Bonds so certified have been issued as contemplated hereunder. However, such certification shall not be construed as a representation or warranty by the Trustee as to the validity of the security, of this Deed or of the Bonds.

3.5 Pledge of the Bonds

The Bonds may be hypothecated by the Grantor by way of pledge as security for the execution of any obligation incurred or to be incurred by the Grantor. Subject to Section 3.6 hereof, the holder of any of the Bonds in favour of whom this security has been granted shall be considered for all purposes hereunder to be a Bondholder and be deemed to be the owner of such Bonds and shall have the right to cause the Trustee to enter its name and address in the Bonds' register hereinafter mentioned.

3.6 Bonds' Register

The Grantor shall at all times, while any of the Bonds issued hereunder are outstanding, cause to be kept by the Trustee at its office indicated on the first page of this Deed or at any other address which the Trustee may indicate to the Grantor in writing, a register in which shall be entered the names and addresses of the Bondholders. The entries in such register shall, absent manifest error, be conclusive evidence that the Bondholders therein registered are entitled to the Bonds and to the rights deriving therefrom.

3.7 Transfer of Bonds

The Trustee shall, upon surrender to it of any Bonds that have been transferred, cause to be entered in the aforesaid Bonds' register the name of the transferees as being registered Bondholders and shall remit such Bonds to the transferees or, as the case may be, upon cancellation of the Bonds surrendered to it, deliver new Bonds in lieu and substitution thereof.

3.8 Issue of Bonds

Whenever Bonds are issued and are subsequently returned to the Grantor for cancellation, the Grantor, subject to the provisions hereof, may be entitled to reissue such Bonds in denominations which, in the aggregate, do not exceed the denominations of the Bonds that were returned for cancellation; the Bonds to be reissued as aforesaid shall be delivered for registration and certification and the

Trustee shall, provided it is so requested by a Bondholder's Instrument, register and certify such Bonds.

3.9 Bonds' Replacement

Upon such request as shall be satisfactory to the Trustee and upon such reasonable requirements as the Trustee may prescribe, including the provision of an indemnity by the Bondholders to the Trustee and the Grantor, the Grantor shall deliver for registration and certification and the Trustee shall register and certify, for purposes of replacement, new Bond certificates in exchange for and in lieu of such Bond certificates which need to be replaced because of loss, mutilation or destruction.

3.10 Clerical errors

The Trustee may correct any clerical error in this Deed or in the Bonds.

4. HYPOTHEC: DESCRIPTION OF CHARGED PROPERTY

The Grantor hereby hypothecates in favour of the Trustee for its own benefit and for the equal and ratable benefit of the Bondholders, the universality of all of the Grantor's immovable and movable assets, corporeal and incorporeal, present and future, of whatever nature and kind and wherever situated (the "Charged property") and, with respect to incorporeal or intangible property, such property located outside of the Province of Québec or used in more than one jurisdiction, hereby charges, assigns and mortgages in favour of the Trustee for its own benefit and for the equal and ratable benefit of the Bondholders and creates a security interest in the Charged property (the hypothec, charge, mortgage, assignment and security interest hereinafter collectively referred to as the "Hypothec"), the whole including without limitation the following universalities of present and future properties:

4.1 Immovables

All the immovable properties of the Grantor described in Schedule "A" hereof (paragraph 20.1), along with all property permanently physically attached or joined thereto so as to ensure the utility thereof (including the heating and air conditioning apparatus and watertanks) and which become immovable by the effect of law (the said described properties and all other immovable properties acquired by the Grantor in the future being collectively hereinafter referred to as the "Immovables").

4.2 Rentals, Revenues and leases of immovables

All rentals, annuities and revenues which are or may be produced by the Immovables as well as any other right of the Grantor in any lease, present and future, which may affect such Immovables.

4.3 Rental Insurance

Proceeds of any insurance covering losses of revenue and rentals described in paragraph 4.2 above.

4.4 Property in Stock

All property in stock or inventory of every nature and kind of the Grantor whether in its possession, in transit or held on its behalf, including raw materials, work in process, finished goods or other materials, goods manufactured or transformed, or in the process of being so, by the Grantor or by others, packaging materials, property evidenced by bill of lading, animals, mineral substances, hydrocarbons and other products of the soil as well as all fruits thereof from the time of their extraction (hereinafter the "**Property in stock**").

The Property in stock held by third parties under a lease agreement, a leasing contract, a franchise or license agreement, or any other agreement entered into with or on behalf of the Grantor, is also subject to this Hypothec.

Property having formed part of the Property in stock which is alienated by the Grantor in favour of a third person but in respect of which the Grantor has retained title pursuant to a reservation of ownership provision, shall remain charged by the Hypothec until title is transferred; any Property in stock the ownership of which reverts to the Grantor pursuant to the resolution or resiliation of any agreement or following its repossession is also subject to the Hypothec.

4.5 Claims, Book Debts and Other Movable Property

4.5.1 Claims, Receivables and Book Debts

All of the Grantor's claims, debts, demands and choses in action, whatever their cause or nature, whether or not they are certain, liquid or exigible; whether or not evidenced by any title (and whether or not such title is negotiable), notes, acceptances, bills of exchange or drafts; whether litigious or not; whether or not they have been previously or are to be invoiced; whether or not they constitute book debts, but except the Grantor's claims, receivables and book debts in the amount of CDN\$4,500,000 which are owned or held by G.T.C. Transcontinental Group Ltd, for its benefit or as agent for Canadian Master Trust, pursuant to a receivable purchase agreement dated October 22, 1996 (as such agreement may be amended, supplemented, restated or otherwise modified

from time to time), or any agreement replacing same. Hypothecated claims shall include: (i) indemnities payable to the Grantor under any and all risk insurance policy, any life insurance policy or any liability insurance policy, subject to the rights of other creditors holding hypothecs on the insured property, (ii) the sums owing to the Grantor in connection with interest or currency exchange contracts and other treasury or hedging instruments, management of risks or derivative instruments existing in favour of the Grantor ("SWAPS"), (iii) the Grantor's rights in any credit balances, monies or deposits in accounts held for it by the Trustee (subject to the Trustee's compensation or set-off rights) or by any financial institution or any other person.

4.5.2 Contracts, Permits and Rights of Action

All of the Grantor's rights, titles and interest in, to and under the contracts, agreements, deeds, licenses and permits, present and future, entered into from time to time by the Grantor or issued in its favour including, without limitation, the contracts, agreements, deeds (collectively the "Material Contracts") and permits described or referred to in Schedule "B" hereof (paragraph 20.2) and all renewals thereof together with the present and continuing right to make a claim thereunder and to enforce or cause the enforcement of all of the said rights, titles and interest of the Grantor. It is agreed that the Hypothec granted herein does not extend to any contract, agreement, deed, licence or permit to the extent that the creation of the Hypothec herein would constitute a breach of same.

4.5.3 Accessories

The hypothecs, security interests, security agreements, guarantees, suretyships, notes, acceptances and accessories to the claims and rights described above and other rights relating thereto (including, without limitation, the rights of the Grantor in its capacity as seller under any instalment sale, with respect to the claims hereby hypothecated which are the result of such sale).

4.5.4 Movable Property

All movable property owned by the Grantor and covered by the installment sales mentioned in sub-paragraph 4.5.3 hereof.

A right or a claim shall not be excluded from the Charged property merely because: (i) the debtor thereof is not domiciled in the Province of Québec or (ii) the debtor thereof is an affiliate (as such term is defined in the *Canada Business Corporations Act*) of the Grantor (regardless of the law of the jurisdiction of its incorporation) or (iii) such right or claim is not related to the ordinary course of business or the operations of the Grantor.

4.6 Securities

All securities (including shares, debentures, units, bonds, obligations, rights, options, warrants, debt securities, investment certificates, units in mutual funds, certificates or other instruments representing such property) now or hereafter owned by the Grantor or held by the Grantor or on its behalf, including without limitation those issued or which will be issued by the corporations or partnership listed in Schedule "C" hereof (paragraph 20.3) or by any corporation or partnership successor thereto pursuant to an amalgamation or any other reorganization as well as all those which are delivered by the Grantor to the Trustee or to a third party on its behalf from time to time.

4.7 Equipment and Road Vehicles

The equipment, office furniture, appliances, supplies, apparatus, tools, patterns, models, dies, blueprints, fittings, furnishings, fixtures, machinery, rolling stock (including road vehicles) of the Grantor, including additions and accessories and spare parts.

4.8 Trade-Marks and Other Intellectual Property Rights

All of the Grantor's rights in any trade-mark, copyright, industrial design, patent, goodwill, invention, trade name, trade secret, trade process, license, permit, franchise, know-how, plant breeders' right, integrated circuit topography and in any other intellectual property right, including any application or registration relating thereto if any, improvements and modifications thereto as well as rights in any claim against third parties in connection with the protection of any such intellectual property rights or infringement thereto, in Canada or abroad, including without limitation those listed in Schedule "D" hereof (paragraph 20.4).

4.9 Fruits and Revenues

All cash, profits, proceeds, fruits, dividends, rights and revenues which are or may be produced by or declared or distributed with respect to the Charged property or in exchange thereof as well as the proceeds of the Charged property, including without limitation any property, equipment, negotiable instrument, bill, commercial paper, security, money, compensation for expropriation remitted, given in exchange or paid pursuant to a sale, repurchase, distribution or any other transaction with respect to the Charged property.

4.10 Records and Others

All records, data, vouchers, invoices and other documents related to the Charged property described above, including without limitation, computer programs, disks, tapes and other means of electronic communications of the Grantor, as well as the rights of the Grantor to recover such property from third parties,

receipts, customer lists, distribution lists, directories and other similar property of the Grantor.

* * * * *

Any and all Charged property which is acquired, transformed or manufactured after the date of this Deed shall be charged by the Hypothec, (i) whether or not such property has been acquired in replacement of other Charged property which may have been alienated by the Grantor in the ordinary course of business, (ii) whether or not such property results from a transformation, mixture or combination of any Charged property, and (iii) in the case of securities, whether or not they have been issued pursuant to the purchase, redemption, conversion or cancellation or any other transformation of the charged securities and without the Trustee being required to register or re-register any notice whatsoever, the property charged under the Hypothec being the universality of the Grantor's present and future movable property.

5. AMOUNT OF THE HYPOTHEC

The amount for which the Hypothec is granted is a principal amount of One Hundred and Twenty-Five Million Canadian Dollars (CDN\$125,000,000) with interest thereon from the date of this Deed at the rate of twenty-five percent (25%) per annum.

6. SECURED OBLIGATIONS

The Hypothec shall secure payment of the Bonds in principal and interest.

The Hypothec further secures the payment of all sums due or to become due pursuant to this Deed and the performance of all obligations provided for under this Deed.

Any future obligation hereby secured shall be deemed to be one in respect of which the Grantor has once again obligated itself hereunder according to the provisions of Article 2797 of the *Civil Code of Québec*.

7. ADDITIONAL PROVISIONS PERTAINING TO THE HYPOTHEC ON RENTAL INCOME AND LEASES

With respect to any Immovables generating rentals and revenues:

7.1 List of tenants

The Grantor shall provide the Trustee, on a yearly basis, with a list containing the name of all tenants and details as to their leases. The Grantor shall obtain the prior written consent of the Trustee with respect to the terms and conditions of any new lease or the modifications or renewals of any existing leases provided nothing herein shall compel the Trustee to waive any right it may have pursuant to Article 1887 of the *Civil Code of Québec*. Upon request, the Grantor shall further provide (i) a copy (or the original, when requested by the Trustee) of all leases, present and future, relating to the Immovables and any document and any useful information in connection therewith, and (ii) a written acknowledgment by the tenants, present and future, of the hypothec on rentals hereby created in the form required by the Trustee.

7.2 Leases and statement of revenues

The Trustee may require that all leases providing for annual obligations exceeding five hundred thousand dollars (\$500,000) be subject to its approval, that they be subordinated to its rights hereunder and that the Grantor provides it on a yearly basis with a statement of revenues and expenditures concerning the Immovables.

7.3 Rents, annuities and revenues collection

The Trustee hereby authorizes the Grantor to collect all rents, annuities and revenues which are rental income; however, the Grantor shall not collect in advance more than one month of rent nor shall it renounce to the payment of more than one month of rent. Upon the occurrence and continuance of a Default, such authorization may be revoked by the Trustee in accordance with what is provided for by law; in such a case, the Trustee may exercise as it deems appropriate, to the exclusion of the Grantor, all rights, claims, privileges and hypothecs (legal or conventional) of the Grantor in order to maintain, renew, grant or terminate any lease, and to further protect or collect rents, annuities and revenues from the Immovables.

7.4 Pursuits

The Trustee shall have the right to bring an action for recovery of rentals, impleading the Grantor, it being understood that the Trustee shall be under no obligation to exercise such right and shall not be liable for any loss or damage which may result from its failure to collect such rentals. The Trustee shall have the right to deduct a ten per cent (10%) collection fee from any rentals collected as well as any commission usually charged by the Trustee for the collection of rentals.

miscellaneous costs and expenses (copies, service fees, legal counsel fees and others, opening files, surveillance fees, execution fees or fees for cancellation of lease) incurred as a result of such collection.

8. ADDITIONAL PROVISIONS TO THE HYPOTHEC ON CLAIMS

8.1 Authorization to Recover

Save and except for claims resulting from an expropriation or from insurance proceeds, those referred to in Section 9 hereof, and save for any other claims for which collection is otherwise dealt with pursuant to any agreement entered into with the Trustee or any other person, the Trustee hereby authorizes the Grantor to recover all claims and other Charged property referred to in paragraph 4.5 (collectively, the "**Hypothecated Claims**"). Such authorization may be revoked at any time by the Trustee by written notice with respect to all or any part of the Hypothecated Claims, whereupon the Trustee shall be free to itself effect such recovery and to exercise any of the rights referred to in paragraph 8.2 below; the Grantor shall then remit to the Trustee all records, books, invoices, bills, contracts, titles, papers and other documents related to the Hypothecated Claims. If, after such authorization is revoked (and even if such revocation is not yet registered or delivered to the holders of such claims), sums payable under such Hypothecated Claims and property are paid to the Grantor, it shall receive same as mandatary of the Trustee and shall remit same to the Trustee promptly without the necessity of any demand to this effect.

8.2 Recovery

The Trustee may recover all Hypothecated Claims in accordance with what is provided for by law; it may further exercise any rights regarding such Hypothecated Claims and more particularly, it may grant or refuse any consent which may be required from the Grantor in its capacity as owner of such Hypothecated Claims, and shall not, in the exercise of such right, be required to obtain the consent of the Grantor or serve the Grantor any notice thereof, nor shall it be under any obligation to establish that the Grantor has refused or neglected to exercise such rights, and it may further grant delays, take or abandon any security, make arrangements with debtors of any Hypothecated Claims, make compromises, grant releases and generally deal at its discretion with matters concerning all Hypothecated Claims without the intervention or consent of the Grantor.

9. ADDITIONAL PROVISIONS TO THE HYPOTHEC ON SECURITIES

The Trustee may, at any time, transfer any securities or any part thereof into its own name or that of a third party appointed by it so that the Trustee or its nominee(s) may appear as the sole registered holder, in which case:

9.1 Voting rights

All voting rights and any other right attached to such securities may be exercised by the Trustee (without any obligation of the Trustee to do so) or on behalf of the Trustee.

9.2 Revenues, dividends and others

The Trustee shall collect revenues, dividends and capital distributions and the Grantor shall cease to have any right thereto and the Trustee may either hold same as Charged property or apply them in reduction of the Secured Obligations

9.3 Proxy

The Trustee may give the Grantor a proxy, revocable at any time, authorizing it to exercise, in whole or in part, all voting rights and any other rights attached to such securities.

For the purpose of this Section 9, the Grantor hereby irrevocably appoints any officer or employee of the Trustee as its attorney with full power of substitution and authority to execute such documents necessary to render effective the rights granted to the Trustee pursuant to this Section 9.

10. ASSIGNMENT OF CLAIMS SUBJECT TO THE *FINANCIAL ADMINISTRATION ACT*

The Grantor hereby assigns to the Trustee by way of absolute assignment all its present and future claims which are subject to Sections 67 and 68 of the *Financial Administration Act*, as collateral and continuing security of all Secured Obligations. The Trustee may, at any time, fulfill any of the formalities required by law to make such transfer enforceable.

11. REPRESENTATIONS AND WARRANTIES

The Grantor hereby represents and warrants that:

11.1 Execution of this Deed

This Deed has been executed by duly authorized persons.

11.2 Business or firm names

It uses no business or firm name other than those referred to in Schedule "E" hereof (paragraph 20.5).

11.3 Titles of ownership and existing charges

It is the unconditional and absolute owner of the Charged property and, save and except for Permitted Encumbrances (as defined in the Credit Agreement), all such property is free and clear of any prior claim, hypothec, charge, security or security interest, seizure by garnishment, right of resolution or repossession or of any other right whatsoever existing in favour of persons other than the Trustee.

11.4 Shareholders' Agreement

There exists no shareholders' agreement in connection with securities which are charged under this agreement, except for a shareholder agreement entered into between the Grantor, Sabin Brunet and Richard Bélanger and dated as of June 29, 2000 in connection with shares of the capital stock of Disque R.S.B. Inc.; there is no restriction in the statutes or other constating documents regarding the assignment or transfer of such securities other than the restrictions pertaining to a closed company (as such term is defined in the *Securities Act* (Québec)) and those declared in writing to the Trustee.

11.5 Location of Charged property

The Charged property, other than the property referred to in paragraphs 4.5 and 4.6 hereinabove, is located in the premises described in Schedule "F" hereof (paragraph 20.6).

11.6 Disposition of Charged property

Except for property referred to in paragraph 4.4 hereinabove, it does not, in the ordinary course of its business, sell property similar to or of the same nature as the Charged property.

11.7 Claims subject to the *Financial Administration Act*

It does not hold title to any claim referred to in Section 10 other than those indicated in Schedule "G" hereof (paragraph 20.7).

11.8 Claims secured by registered hypothec

It does not hold title to any claim by registered hypothec other than those indicated in Schedule "H" hereof (paragraph 20.8).

11.9 Other undertaking

It is not part to any undertaking having the effect of affecting unfavorably the value of any of the Charged property.

11.10 Taxes

All real estate taxes and other taxes affecting the Immovables have all been paid as of the signature of this Deed, without subrogation.

11.11 Isolation of Immovables

None of the Immovables has been isolated with urea formaldehyde foam.

11.12 *Cultural Property Act*

None of the Immovables is subject to the provisions of the *Cultural Property Act* (R.S.Q., ch. B-4).

11.13 Compliance of Immovables

All immovables fully complied with all applicable laws, regulations, by-laws and other measures taken under the authority of such legislation, including those relating to the protection of the environment.

11.14 Default

It is not in default under the present Deed.

12. COVENANTS

The Grantor hereby covenants:

12.1 Information

To give notice in writing to the Trustee:

- 12.1.1** of any change whatsoever in its name and business names or in the representations and warranties hereinabove mentioned in Section 11;
- 12.1.2** of the name of any surety (guarantor) which may have guaranteed the payment of claims hypothecated hereby and other Charged property mentioned in paragraph 4.5 hereof;
- 12.1.3** of the name of the insurers to the insurance contracts referred to herein;
- 12.1.4** of the existence of any security, hypothec, prior claims or property right retained or assigned securing claims and other Charged property referred to in paragraph 4.5 hereof and, in such cases, to provide the Trustee, upon demand, with satisfactory proof that such security or hypothec has been registered or published in accordance with applicable law in order for the rights of the Trustee to be set up against third persons;
- 12.1.5** of the existence and details of any new claim falling under Section 10 hereof.

12.2 Additional Information

To provide the Trustee with any information with respect to the Charged property as it may reasonably request in order to determine whether or not the Grantor complies with the provisions hereof. The Grantor shall inform the Trustee of any event, occurrence or fact which may have a material adverse effect on the value of the Charged property or on the Grantor's financial situation.

12.3 Accounting Books

To keep, with respect to the Charged property, books, vouchers and other documentation, as would a reasonable and diligent administrator, including a list containing the names and addresses of all debtors of the Hypothecated Claims, and keep them available for the Trustee to examine and obtain copies thereof.

12.4 Preservation of the hypothec

To perform all acts and execute all deeds and documents (including notices of renewal) necessary to give full effect to the Hypothec and to ensure that it is at all times fully enforceable against third persons.

12.5 Compensation, Fees and Expenses

To pay all costs and expenses relating to this Deed and to the exercise of all rights resulting in favour of the Trustee from such Deed as well as all costs and expenses incurred to set up the rights of the Trustee against third persons, and all discharge fees (such costs and expenses shall include all fees and expenses of consultants, mandataries or counsel retained for any appraisal required in connection with the sale of an enterprise or in case of default, as well as administrative fees and, as the case may be, a ten per cent (10%) collection charge of the amount recovered in connection with the hypothecated claims); to reimburse the Trustee for all costs and expenses incurred by it for the purpose of carrying out the Grantor's obligations or of exercising its rights, all such costs and expenses bearing interest at an annual rate equal to the base rate of National Bank of Canada which shall be in force from time to time, plus 3%; National Bank of Canada's base rate shall be the one advertised as its rate of reference for determining the interest rate on loans in Canadian Dollars granted in Canada; the obligations arising from this paragraph shall not exceed twenty-five per cent (25%) of the nominal value of the Hypothec; the repayment of such costs and expenses shall be secured by the Hypothec.

12.6 List of Property in Stock and Book Debts

To give the Trustee, from time to time, upon demand, a statement of the value of its Property in stock and a list of its book debts shown in the reverse order of their due date.

12.7 Maintenance

To preserve and maintain at all times all machinery, equipment and vehicles hereby charged in good condition and state of repair, normal wear and tear excepted, and in compliance with any applicable legislation and immediately repair or replace such property at its own costs, upon damage or destruction thereof; the Grantor shall not make any material change to the Charged property, nor demolish or deteriorate any of it neither allow that it be used for illegal purposes; it shall not diminish the value thereof either by granting leases not respecting market conditions or otherwise.

The Grantor shall diligently pay the cost of any public utility services and authorizes the Trustee to obtain from the related authorities the amounts due to this account and any information relating to payment of such charges.

12.8 Insurance

To insure and maintain at all times all Charged property insured, in favour of the Trustee, at its full replacement value against all loss or damage caused by theft, fire and any other risk with respect to which a prudent administrator would insure himself, by means of an all risks insurance policy (including floods, earthquakes and business interruption coverage) acceptable to the Trustee and the Agent, without co-insurance clauses.

The policies shall include extended coverage clauses to cover damage resulting from leaks in the fire protection system.

These insurance policies shall be maintained with reputable insurers acceptable to the Trustee and the Agent. The Trustee is forthwith hereby named as beneficiary of the indemnities payable pursuant to these policies and the Grantor shall designate this name on policies which shall in addition (i) include a standard hypothecary guarantee clause approved by the Insurance Bureau of Canada, preventing the invalidation of the policies because of any reference contained in the insurance application or omitted therefrom or any act or negligence of the Applicant and (ii) include provisions preventing their cancellation or amendment to the detriment of the Trustee for any reason whatsoever including the failure to pay a premium required to renew a policy, unless this failure to pay, omission or other default has not been remedied within thirty (30) days following receipt by the Trustee of a written notice of such default or omission.

Furthermore, the Grantor shall maintain civil liability insurance for an amount of at least five million dollars (\$5,000,000) per incident.

The Trustee may in addition require such other future coverage that a prudent lender would reasonably require.

The Grantor shall remit policies to the Trustee evidencing such insurance as well as proof of payment of the premium for at least twelve (12) months following the payment date thereof and, thereafter, at least fifteen (15) days before expiry of a policy or before the due date of the payment for the next premium, the Grantor shall remit the renewal certificate and proof of payment of the premium for twelve (12) months to the Trustee.

Should the Grantor fail to comply with the provisions of this paragraph, the Trustee may, at the Grantor's expense, take out the insurance it shall deem appropriate.

12.9 Loss or Damage

To immediately notify the Trustee of any loss or damage and take all diligent steps to ensure that the insurer pays the indemnity to the Trustee. The Trustee shall collect the insurance indemnities and may keep such proceeds as part

of the Charged property. The Trustee may also elect to apply the indemnities, in whole or in part, to the payment of replacement, repair or rebuilding costs.

No construction or repair shall be undertaken and no replacement made without the Trustee's consent. Granting this consent shall not oblige the Trustee to assume the costs thereof or to apply the insurance indemnities to their payment.

The Trustee may also request reimbursement of any sum remaining unpaid pursuant thereto, in capital, interest, expenses and accessories in the event it elects not to apply the insurance indemnities to the replacement, repair or rebuilding.

12.10 Location of property

Not to change the location of the Charged property unless it obtains the written consent of the Trustee.

12.11 Title

To ensure that its right of ownership in any Charged property in the hands or possession of any third party remains enforceable against third parties and, accordingly, that such right has been registered or published, if registration or publication is required by law for the purpose of enforcement against third parties.

12.12 Use and destination

Not to change the use or destination of the Charged property unless it obtains the written consent of the Trustee.

12.13 Release of Collateral

The Charged property shall not be released by the Trustee prior to the cancellation of each and all of the Bonds pursuant to payment in full of the Secured Obligations, unless the Trustee has been instructed to effect any such release pursuant to a Bondholders' Instrument.

13. EVENTS OF DEFAULT

The Grantor shall be in default hereunder without notice or other formality and the security hereby constituted shall immediately become enforceable, if it fails to pay the Bonds, in principal or interest, upon demand and in any of the following events ("**Default**"):

13.1 Performance of obligations

The Grantor fails to perform any obligation secured hereunder at the time when such performance is due.

13.2 Performance of obligations under the Credit Agreement

The Grantor fails to perform any obligation under the Credit Agreement or any ancillary document thereto.

13.3 Representations and warranties

Any of the representations or warranties made hereunder is substantially false or inaccurate in any material respect.

13.4 Covenants

The Grantor fails to perform any covenant hereunder.

13.5 Charged property

The Grantor destroys, deteriorates or substantially reduces the value of the Charged property or the value of the security interest of the Trustee.

14. TRUSTEE'S RECOURSES IN CASE OF DEFAULT

14.1 Exercise of rights

Upon the occurrence and continuance of a Default, the Trustee may in its discretion and shall upon receipt of a Bondholders' Instrument, through its officers, agents or attorneys, exercise any right of action provided for under this Deed (and more particularly under this Section 14) or by law or in equity including without limitation any of the hypothecary rights provided for under Articles 2748 to 2794 of the *Civil Code of Québec* and any rights or remedies provided to secured parties under any applicable personal property security legislation.

14.2 Rights of the Trustee

Whatever hypothecary rights the Trustee elects to exercise or whatever rights or recourses the Trustee elects to exercise either pursuant to the law of any other jurisdiction or in equity, the following provisions shall apply:

14.2.1 the Trustee may, in its discretion, at the Grantor's expense:

14.2.1.1 pursue the transformation of the Charged property or any work in process or unfinished goods comprised in the Charged property and complete the manufacture or processing thereof or proceed with any operations to which such property is submitted by the Grantor in the ordinary course of

its business and acquire property for such purposes;

- 14.2.1.2 alienate or dispose of any Charged property which may be obsolete, may perish or is likely to depreciate rapidly;
- 14.2.1.3 use for its benefit all information obtained while exercising its rights;
- 14.2.1.4 perform any of the Grantor's obligations or covenants hereunder;
- 14.2.1.5 exercise any right attached to the Charged property on such conditions and in such manner as it may determine, acting reasonably, including without restriction the granting of licenses whether general or special on an exclusive or non exclusive basis, of any intellectual property charged hereunder;
- 14.2.1.6 for the exercise of any of its rights, utilize without charge the Grantor's plant, equipment, machinery, process, informations, records, computer programs and intellectual property; for the purposes hereof the Grantor shall, at the request of the Trustee, concurrently with or after the execution of these presents, execute a conditional trade-mark license agreement and a power of attorney with respect to intellectual property (in conformity with Section 15.9 hereof) both in favour of the Trustee;
- 14.2.1.7 borrow monies or lend monies and, in such cases, the monies borrowed or lent by the Trustee shall bear interest at the rate then obtained or charged by the Trustee for such borrowing or loan; these monies shall be reimbursed by the Grantor on demand and, until they have been repaid in full, such monies and interest thereon shall be secured by the present Hypothec and be paid in priority of any other sums secured hereunder;
- 14.2.1.8 maintain or repair, restore or renovate, begin or complete any construction work on or related to the Charged property;

- 14.2.2 the Trustee shall exercise its rights in good faith in order to attempt to reduce the Secured Obligations, in a reasonable manner, taking into account all circumstances;
- 14.2.3 the Trustee may, directly or indirectly, purchase or otherwise acquire the Charged property;
- 14.2.4 the Trustee, when exercising its rights, may waive any right of the Grantor, with or without consideration therefor;
- 14.2.5 the Trustee shall have no obligation to make an inventory of the Charged property, to take out any kind of insurance with respect thereof or to grant any security whatsoever;
- 14.2.6 the Trustee shall not be bound to continue to carry on the Grantor's enterprise or to make any productive use of the Charged property or to maintain such property in operating condition;
- 14.2.7 the Grantor shall, upon request of the Trustee, move the Charged property and render it available to the Trustee unto premises designated by the Trustee and which, in its opinion, shall be more suitable in the circumstances.

14.3 Grantor's remedy

If the Grantor remedies the Default mentioned in the prior notice of exercise of hypothecary right, the Grantor shall, as required by law, pay all reasonable fees incurred by the Trustee by reason of the Default; these fees shall include without limitation the administrative fees of the Trustee, the legal fees of its legal advisers and fees paid to experts.

14.4 Taking in payment

If the Trustee elects to exercise its right to take in payment the Charged property and the Grantor requires that the Trustee instead sell by itself or under judicial authority, the Charged property on which such right is exercised, the Grantor hereby acknowledges that the Trustee shall not be bound to abandon its recourse of taking in payment unless, prior to the expiry of the time period allocated for surrender, the Trustee (i) has been granted a security satisfactory to it, to ensure that the proceeds of the sale of the Charged property will be sufficient to pay the Bonds in full, (ii) has been reimbursed for all reasonable costs and expenses incurred in connection to this Deed, including all fees of consultants and legal counsel and (iii) has been advanced the necessary sums for the sale of said Charged property; the Grantor further acknowledges that the Trustee alone is entitled to select the type of sale it may wish to conduct or have conducted.

14.5 Surrender of Charged property

The Grantor will be deemed to have surrendered the Charged property which is in the possession of the Trustee, or of a third party on its behalf, if the Trustee has not, within the delays determined by law or by a tribunal to surrender, received written notice from the Grantor to the effect that it intends to contest the exercise of the hypothecary recourse set forth in the prior notice.

14.6 Evaluation

Where the Trustee sells the Charged property itself, it shall not be required to obtain any prior evaluation by a third party.

14.7 Sale of Charged property

The Trustee may elect to sell the Charged property after giving such prior notices as may be required by law; the sale may be made with legal warranty given by the Grantor or with complete or partial exclusion of such warranty; the sale may also be made cash or with a term or under such reasonable conditions determined by the Trustee; upon failure of payment of the purchase price, the Trustee may resiliate or resolve such sale and such Charged property may then be resold.

14.8 Use of premises

In order to exercise any of its rights, the Trustee may use the premises located in the Immovables.

14.9 Several trustees

Where several trustees are involved, the parties hereto waive the application of Articles 1332 to 1338 inclusively of the *Civil Code of Québec*.

14.10 Appointment of Agent

The Trustee may appoint an agent or a receiver and manager (collectively a "Receiver") over all or any portion of the Charged property by written instrument in accordance with Section 14.11 or may apply to a court for the appointment of a Receiver to take possession of all or such part of the Charged property as the Trustee shall designate, with such duties, powers and obligations as the court making the appointment shall confer, and the Grantor hereby irrevocably consents to the appointment of such Receiver.

14.11 Appointment of Receiver

The Trustee may with or without taking possession, by instrument executed by the Trustee, appoint a Receiver of all or any part of the Charged property and of the rents, income and profits therefrom and may from time to time by similar

instrument remove any Receiver and appoint another in its place and upon the appointment of any such Receiver or Receivers from time to time the following provisions shall apply:

- 14.11.1 every such Receiver shall be vested with all of the rights, powers, remedies and discretions of the Trustee set forth in subparagraphs 14.2.1.1 to 14.2.1.8, inclusively, including, without limitation, the power to sell, for cash or credit or part cash and part credit, lease or dispose of all or any part of the Charged property, whether by public auction or by private sale or lease in such manner and on such terms as it may determine in its absolute discretion acting reasonably and to do all acts, exercise all discretions and make all determinations of the Trustee described therein;
- 14.11.2 every such Receiver shall have the power to borrow money on the security of the Charged property in priority to the security created by this Deed for the purpose of the preservation, maintenance, completion or protection of the Charged property or any part thereof or for making any replacements thereof or improvements and additions thereto or for carrying on all or any part of the business of the Grantor relating to the Charged property, and in so doing the Receiver may issue certificates designated as "Receiver's Certificates" which may be payable either to order or to bearer and may be payable at such time or times as the Receiver may think expedient and shall bear interest at such rates of interest as the Receiver may consider reasonable, and the amounts from time to time payable pursuant to such Receiver's Certificates shall form a charge upon the Charged property in priority to the security created by this Deed;
- 14.11.3 the Trustee may from time to time fix the remuneration of every such Receiver who shall be entitled to deduct the same out of the receipts derived from or comprising part of the Charged property or the proceeds thereof;
- 14.11.4 every such Receiver shall be deemed to be an agent of the Grantor and not of the Trustee for the purposes of:
 - 14.11.4.1 carrying on and managing the business and affairs of the Grantor, and
 - 14.11.4.2 establishing liability for all of the acts or omissions of the Receiver while acting as such and the Trustee shall not be in any way responsible for

any acts or omissions on the part of any such Receiver, its officers, employees and agents,

the Grantor hereby irrevocably authorizing the Trustee to give instructions to the Receiver relating to the performance of its powers and discretions as set out herein;

- 14.11.5 the appointment of every such Receiver by the Trustee or anything which may be done by any such Receiver or the removal of any such Receiver or the termination of any such receivership shall not have the effect of constituting the Trustee a mortgagee in possession in respect of the Charged property or any part thereof;
- 14.11.6 no such Receiver shall be liable to the Grantor to account for moneys other than moneys actually received by such Receiver in respect of the Charged property and every such Receiver shall apply such moneys so received in the manner provided in paragraph 14.12; and
- 14.11.7 the Trustee may at any time and from time to time terminate any such receivership by notice in writing executed by the Trustee to any such Receiver;

14.12 Imputation of payments

Except as herein otherwise expressly provided, all monies arising from any sale or realization of the Charged property, in whole or in part, whether under any sale by the Trustee or by judicial process or otherwise, shall be applied, together with any other monies then in the hands of the Trustee and available for such purpose, in the first place to pay or reimburse the Trustee's fees, charges, expenses, borrowing, advances and all other moneys provided or obtained by it or at its request in or about the execution of its powers and rights with respect to these presents, with interest thereon as herein provided, secondly, to the Bondholders on account of Secured Obligations, to the extent of their interests and thirdly, to the account of the Grantor or of any Person entitled by law to receive same. The Grantor shall only be credited with amounts received by the Trustee in cash from the possession, sale, lease or other disposition of, or realization upon, the Charged property as and when such cash is received.

14.13 Liability of Grantor

Except if the right of taking in payment is exercised, the Grantor shall remain liable to the Trustee for any deficiency remaining after the application of the proceeds of any sale, lease or disposition of the Charged property by the Trustee.

15. GENERAL PROVISIONS

15.1 Additional Security

The Hypothec created hereby is in addition to and not in substitution of or in replacement for any other hypothec or security held by the Trustee and shall not impair the Trustee's rights of compensation and set-off.

15.2 Investments

The Trustee may, at its entire discretion, invest any monies or instruments received or held by it pursuant to this Deed or deposit same in an account without having to comply with any legal provisions concerning the investment of property of others.

15.3 Set-off

Provided the Secured Obligations are due and exigible or that the Trustee is entitled to declare them owing and exigible, the Trustee may compensate and set-off any Secured Obligations with any and all amounts then owed to the Grantor by the Trustee in any capacity, whether due or not, and the Trustee shall then be deemed to have exercised such right to compensate and set-off as at the time the decision was taken by it even though the entry therefor is made on the Trustee's record subsequent thereto.

15.4 Imputation of Payments

The Trustee shall be at liberty to impute any amounts collected in the exercise of its rights prior to or after any Default as it may choose without having to comply with any provisions of the *Civil Code of Québec* concerning the imputation of payments.

15.5 Delays

The Trustee may grant delays, take any security or renounce thereto, accept compromises, grant quittances and releases and generally deal with any matters related to the Charged property, the whole without limiting the rights of the Trustee and without reducing the liability of the Grantor.

15.6 Continuing Security

The Hypothec shall be a continuing security and shall remain in full force and effect despite the repayment from time to time, of the whole or of any part of the Secured Obligations; it shall remain in full force until the execution of a final release by the Trustee.

15.7 Time of Essence

The Grantor shall be deemed "*en demeure*" by the mere lapse of time provided for the Grantor to perform its obligations or the expiry of any term therefor, without the Trustee being obliged to serve any notice or prior notice upon the Grantor.

15.8 Cumulative Rights

The rights and recourses of the Trustee hereunder are cumulative and do not exclude any other rights and recourses which the Trustee might have. No omission or delay on the part of the Trustee in the exercise of any right shall have the effect of operating as a waiver of such right. The partial or sole exercise of a right or power will not prevent the Trustee from exercising thereafter any other right or power. The Trustee may exercise its right hereunder without any obligation to exercise any right against any other person liable for payment of the Secured Obligations and without having to enforce any other security granted with respect to the Secured Obligations.

15.9 Irrevocable power of attorney

The Trustee is hereby designated as the irrevocable attorney of the Grantor with full powers of substitution for the purposes hereof or for the purpose of carrying out any and all acts and executing any and all deeds, proxies or other documents which the Trustee may deem useful in order to exercise its rights or which the Grantor neglects or refuses to execute or to carry out, provided however that, if a Default has not occurred and is not continuing, the Grantor shall have been requested by the Trustee to do so by a three (3) Business Days prior written notice. The Grantor shall execute, at the request of the Trustee, concurrently with or after the execution hereof, a special power of attorney in favour of the Trustee for the implementation of these presents in connection with the intellectual property rights charged hereunder.

15.10 Performance

The Trustee may, at its entire discretion, perform any of the Grantor's liabilities under this Deed. It may then immediately request payment of any expense incurred in doing so, including interest at the rate provided for in paragraph 12.5 above, and such repayment is secured by the Hypothec.

15.11 Delegation

The Trustee may, at its entire discretion, appoint any person or persons for the purpose of exercising any of its rights, actions or the performance of any covenant resulting from this Deed or law or equity; in such case, the Trustee may supply such person with any information it holds relating to the Grantor or to the Charged property, provided that, in respect of any confidential information

concerning the Grantor, the Trustee shall, prior to the occurrence and continuance of a Default, before supplying such confidential information to any other person, put into place such procedures and obtain such assurances as reasonably requested by the Grantor in order that such information will remain confidential and that such third person will be bound by a duty of confidentiality to the Grantor.

15.12 Title deeds

All titles of ownership, land surveys, certificates of location and other documents related to the Immovables shall upon request be remitted to the Trustee who is entitled to keep them until a final release and discharge of this Hypothec is obtained.

15.13 Waiver

Where the Grantor has taken an Immovable in payment for an hypothecated claim ranking prior to the present Hypothec, the Grantor waives its right to take advantage of the provisions of Article 2771 of the *Civil Code of Québec*.

15.14 Solidary Liability

Where several Grantors have signed the present Deed or further become liable for the obligations of the Grantor, each such person shall be solidarily (jointly and severally) liable toward the Trustee for the performance of all the Secured Obligations. "Solidary" means that each such person is liable individually for the whole amount due.

15.15 Liability

The Trustee shall not be liable for material injuries or damages resulting from its fault, or the fault of its agents, officers, consultants, unless such fault is gross or intentional.

15.16 Successors

The rights hereby conferred upon the Trustee shall benefit all its successors, including any entity resulting from the merger of the Trustee with any other person or persons.

15.17 Notices

Any notice to the Grantor shall be delivered to its address set out hereinafter or to any other address in Canada of which the Trustee has been given written notice; any notice to the Trustee shall be delivered to the Trustee's branch located at the address set out hereinafter.

15.17.1 GENERAL TRUST OF CANADA
1100 University Street
Suite 900
Montréal, Québec
H3B 2G7

Attention: Corporate Trust Service

Telecopier: (514) 871-7434

15.17.2 DISQUE AMÉRIC INC./AMERIC DISC INC.
2525 Canadien Street
Drummondville, Québec
J2C 7W2

Attention: Vice-President Finance and Administration

Telecopier: (819) 478-4575

15.18 Receipt of Notice

A notice given hereunder shall be deemed to have been received by the other party on the date of its delivery, when delivered on a Business Day, or on the third (3rd) Business Day after it has been mailed, if sent prepaid by certified or registered mail, or the day of its transmission, if transmitted by facsimile on or before 3:00 p.m. on a Business Day or on the Business Day next to the day of transmission if transmitted by facsimile after 3:00 p.m.

15.19 Trust provisions

Notwithstanding the references herein or in any Bond to General Trust of Canada (or its successor hereunder, if any) as a "Trustee" or to it acting as Trustee, no trust within the meaning of Chapter II of the Title Six of Book Four of the *Civil Code of Québec* is intended to be or is created or constituted hereby. In addition, the provisions of Title Seven of Book Four of the *Civil Code of Québec* shall not apply to any administration by the Trustee hereunder.

16. CONCERNING THE TRUSTEE

16.1 Good faith

The Trustee shall act honestly and in good faith with a view to the best interests of the Bondholders and with prudence and diligence and the Trustee shall only be accountable for reasonable diligence and prudence in the management of the rights hereof, and shall only be liable for its own gross or intentional fault.

16.2 Discretion

The Trustee, except as herein otherwise provided and subject to any Bondholders' Instrument, shall, with respect to all rights, powers and authorities vested in it, have absolute and uncontrolled discretion as to the exercise thereof, whether in relation to the manner or as to the mode and time for the exercise thereof, and in the absence of fraud, it shall be in no way responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise thereof.

16.3 Enforcement of security

The Trustee shall have the rights in its discretion to proceed in its name as *Fondé de pouvoir* hereunder to the enforcement of the security hereby constituted by any remedy provided by law, whether by legal proceedings or otherwise but it shall not be bound to do or to take any act or action in virtue of the powers conferred on it by these presents unless and until it shall have been required to do so by way of a Bondholders' Instrument; the Trustee shall not be responsible or liable, otherwise than as a *Fondé de pouvoir*, for any debts contracted by it, for damages to persons or property or for salaries or non-fulfilment of contracts during any period for which the Trustee managed the Charged property upon entry, as herein provided, nor shall the Trustee be liable to account for anything except actual revenues or be liable for any loss on realization or for any default or omission for which a mortgagee in possession might be liable; the obligation of the Trustee to commence or continue any act, action or proceeding under this Deed shall, at the option of the Trustee, be conditional upon the Bondholders furnishing, when required, sufficient funds to commence or continue such action or proceeding and indemnity reasonably satisfactory to the Trustee.

16.4 Protection of Trustee

The Trustee shall be obliged to act and shall be fully protected in acting pursuant to a Bondholders' Instrument in connection with any proceedings, act power, right, matter or thing relating to or conferred by or to be done under this Deed.

16.5 Possession or Production of the Bonds

All rights of action under this Deed may be enforced by the Trustee without the possession of the Bonds hereby secured or the production thereof.

16.6 Resignation of Trustee

The Trustee may at any time resign from office upon thirty (30) days prior notice in writing given to the Grantor and to the Bondholders or upon such shorter delay as may be accepted by the Bondholders in a Bondholders' Instrument. The Bondholders may then or at any time thereafter appoint a new *Fondé de pouvoir* confirming such appointment by Bondholders' Instrument, which the Grantor hereby

undertakes to accept, in the place of the *Fondé de pouvoir* so resigning. The new *Fondé de pouvoir* without further act shall then be vested and have all rights, powers and authorities granted to the Trustee hereunder and be subject in all respects to the terms, conditions and provisions hereof to the same extent as if originally acting as *Fondé de pouvoir* hereunder; no resignation shall come into effect before a new *Fondé de pouvoir* has been appointed and has accepted its appointment.

16.7 Indemnification of Trustee

The Grantor shall indemnify the Trustee for, and hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance of its duties and obligations hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

16.8 Death or bankruptcy of Bondholder

Neither the death, loss of legal existence nor bankruptcy of a Bondholder shall terminate the Trustee's rights, powers, trusts or duties hereunder with respect to the Bonds held by such Bondholder which shall continue to apply in favour of the holder or holders who have acquired such Bonds from such deceased or bankrupt Bondholder.

16.9 Bankruptcy of Trustee

The bankruptcy of the Trustee shall not terminate its rights, powers, trusts and duties hereunder provided that such rights, powers, trusts and duties are assumed by a successor trustee appointed in accordance with the provisions hereof.

17. GOVERNING LAW

This Deed shall be governed by and construed in accordance with the laws of the Province of Québec, including the rules relating to conflicts of laws provided for thereunder.

18. AMENDMENTS

No amendment may be made to this Deed unless signed by the parties hereto, the Trustee acting pursuant to a Bondholder's Instrument.

19. ENGLISH LANGUAGE

The parties hereto confirm that the present agreement has been drawn up in the English language at their request. Les parties aux présentes confirment que la présente convention a été rédigée en langue anglaise à leur demande.

20. SCHEDULES

20.1 Schedule "A" – Description of Immovables (par. 4.1)

"Un emplacement sis et situé en la ville de Drummondville, connu et désigné comme étant la subdivision numéro SEPT du lot originaire numéro DEUX CENT SOIXANTE ET ONZE (271-7) du cadastre officiel du Canton de Grantham, circonscription foncière de Drummond.

Avec bâtisses dessus construites, circonstances et dépendances et portant l'adresse civique 2525, rue Canadien, à Drummondville.

Tel que le tout se trouve présentement, avec toutes les servitudes actives et passives, apparentes ou occultes qui s'y rattachent."

20.2 Schedule "B" – Material Contracts and Permits (par. 4.5.2)

- Sublease dated May 8, 2000 entered into between Transcontinental E. Media Inc. and Disque Améric Inc. (355 Ste-Catherine West, Montréal).
- Lease dated May 8, 2000 entered into between Les Développements Industriels Pie-IX Inc. and Disque Améric Inc. (8600-8612 Pie-IX Blvd, Montréal) (as amended by an agreement of modification to a lease between Les Développements Industriels Pie-IX Inc. and Disque Améric Inc. dated August 2, 2000).
- Sublease dated February 25, 1999 entered into between Discount Inc. and Americ Disc Inc. (8711-8729 Lyndale Avenue South, Bloomington, Minnesota).
- Lease dated January 28, 1999 entered into between AMB Property L.P. and Americ Disc Inc. (2360 Pilot Knob Road, Mendota Heights, Minnesota).
- Sublease dated December 29, 2000 entered into between The Sportsman Guide and Americ Disc Inc. (2360 Pilot Knob Road, Mendota Heights, Minnesota).
- Lease dated June 29, 2000 entered into between Caribbean Associates, LLC and Americ Disc Inc. (1247 Northgate Business Parkway, Madison, Tennessee).

- CD Disc License Agreement dated June 1st, 1994 entered into between US Phillips Corporation and Americ Disc Inc. (as renewed on January 1st, 1996 and amended on June 1st, 1998 regarding realty rate reduction).
- CD Disc License Agreement dated March 14, 1986 and renewed on March 14, 1996 entered into between Philips Electronics N.V. and Americ Disc Inc.
- Software and License and Support Agreement dated October 8, 1998 entered into between Pivotpoint, Inc. and Americ Disc Inc.
- Service Agreement dated October 13, 1999 entered into between Madacy Entertainment Group Limited and Americ Disc Inc.
- Equipment Lease Agreement dated June 29, 2000 entered into between Americ Disc Inc. and Caribbean Associates, LLC.
- Loan Agreement dated November 17, 1999 entered into between Americ Disc Inc., Versatile Media One Inc. and Versatile Média 1 Inc.
- Agency Agreement dated October 22, 1996 entered into between G.T.C. Transcontinental Group Ltd. and Americ Disc Inc., among others related to a Receivable Purchase Agreement dated October 22, 1996 entered into between G.T.C. Transcontinental Group Ltd. and The Trust Company of Bank of Montreal, in its capacity as trustee of Canadian Master Trust.

20.3 Schedule "C" — Securities (par. 4.6)

Disque R.S.B. Inc.
Americ Disc U.S.A.-Delaware

20.4 Schedule "D" — Trade-Marks and Other Intellectual Property (par. 4.8)

Trade Marks:	Registration Number
<u>CANADA</u>	
DISQUE AMERIC & Dessin	TMA443,664
DISQUE AMÉRIC	TMA442,838
AMERIC & DESIGN	TMA541,120
<u>USA</u>	
AMERIC DISC & DESIGN	1,916,082

Trade Marks:

Registration Number

AMERIC & DESIGN

~~TM~~ 2,424,795

Trade Marks:

Registration Demand Number

MEXICO

AMERIC & Design

[application not filed]

Domain Names:

RSB-AMERIC.COM

RSBAMERIC.COM

AMERICDISCDIRECT.COM

CD-DVD-MANUFACURE.COM

AMERICDISC.ORG

CDMANUFACTURE.COM

AMERICDISC.NET

DVDMANUFACTURE.COM

AMERICDISC.COM

AMERIDIRECT.COM

20.5 Schedule "E" — Business or firm names (par. 11.2)

Disque Alliance
Fan-CD

20.6 Schedule "F"— Location of Charged Property (par. 11.5)

20.6.1 Charged Property Located in Québec

- 2525 Canadien Street
Drummondville, Québec
J2C 7W2
- 355 Ste-Catherine Street West, 5th Floor
Montréal, Québec
H3B 1A5

- 8600-8612 Pie-IX Boulevard
Montréal, Québec
H1Z 4G2

20.6.2 Charged Property Located Outside of Québec

- 8711-8729, Lyndale Avenue South
Bloomington, Minnesota
USA 55420
- 1247 Northgate Business Parkway
Madison, Tennessee
USA 37115
- 4701 Stoddard Road
Salida, California
USA 95356
- 2360 Pilot Knob Road
Mendota Heights, Minnesota
USA 55120

20.7 Schedule "G"— Claims subject to the *Financial Administration Act* (par. 11.7)

NIL

20.8 Schedule "H" - Claims Secured by Registered Hypothecs (par. 11.8)

Hypothec on shares of the capital stock of Versatile I Inc. granted by Versatile One Inc. in favour of the Grantor in order to secure a loan of the amount of US\$375,000

20.9 Bonds Certificate (Specimen)

C A N A D A

PROVINCE OF QUÉBEC

DISQUE AMÉRIC INC./AMERIC DISC INC.

(Incorporated under the Laws of Canada)

No 1-01

CDNS●

DISQUE AMÉRIC INC./AMERIC DISC INC. (hereinafter called the "Corporation"), for value received, promises to pay on demand to ●, or its registered assigns, at ●, upon presentation and surrender thereof of this Certificate, the sum of ● Canadian Dollars (CDN\$●) in lawful money of Canada and to pay interest thereon on demand, from the date hereof until the actual date of payment, at

the same address and in like money, at a rate equal to twenty-five percent (25%) per annum, calculated annually, plus interest on all overdue interest, calculated daily at the same rate, from its due date until the actual date of payment.

The Bonds represented by this Certificate are issued under and secured by a Deed of Hypothec and Issue of Bonds executed on the ● (●th) day of August, two thousand and one (2001) between the Corporation and GENERAL TRUST OF CANADA, as *Fondé de pouvoir* for the Bondholders for all purposes of Article 2692 of the Civil Code of Québec (the "Trustee") as same may be amended, supplemented or restated from time to time (the "Deed of Hypothec"); reference is hereby made to the Deed of Hypothec and to any deed supplemental thereto, as the case may be, for the terms and conditions upon and subject to which the Bonds represented by this Certificate are issued and held and for the nature and extent of the security thereof.

The total principal nominal value of the Bonds authorized to be issued under the Deed of Hypothec from time to time is limited to ● Canadian Dollars (CDN\$●).

The Bonds represented by this Certificate may only be transferred by the holder of this Certificate upon compliance with the provisions of the Deed of Hypothec in that regard.

The Bonds represented by this Certificate are subject to the terms and conditions of the Deed of Hypothec to all of which the holder of this Certificate by his acceptance hereof assents.

The Bonds represented by this Certificate shall be certified by the Trustee for the time being under the Deed of Hypothec.

IN WITNESS WHEREOF, DISQUE AMÉRIC INC./AMERIC DISC INC. has caused the Bonds represented by this Certificate to be signed by its ●, ● and to be dated the () day of Two thousand and one (2001).

DISQUE AMÉRIC INC./
AMERIC DISC INC.

by: _____

by: _____

TRUSTEE'S CERTIFICATE

The Bonds represented by this Certificate are Bonds issued under the Deed of Hypothec within mentioned.

Date of Certification:

, 2001.

GENERAL TRUST OF CANADA

by: _____
Authorized Representative

by: _____
Authorized Representative

FORM OF TRANSFER

For value received _____, by these presents cedes and transfers to _____ the Bonds represented by this Certificate with full power of substitution, as well as its rights in the principal amount and outstanding interest on the said Bonds and irrevocably appoints as its attorney to complete the transfer on the books of the above-mentioned Corporation maintained by the Trustee pursuant to the Deed of Hypothec.

Dated _____.

Signed by:

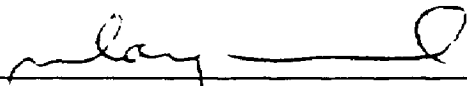
Witness


WHEREOF ACT:

DONE AND PASSED in the City of Montréal, Province of Québec, on the date hereinabove set forth, under number six hundred and eighteen (618) of the original of the minutes of the undersigned notary.

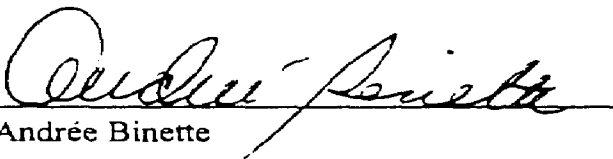
AND after the parties had declared to have taken cognizance of these presents and to have exempted the said Notary from reading them or causing them to be read, the said duly authorized officers of the Grantor and the Trustee respectively have signed these presents, all in the presence of the said Notary who has also signed.


**DISQUE AMÉRIC INC./
AMERIC DISC INC**

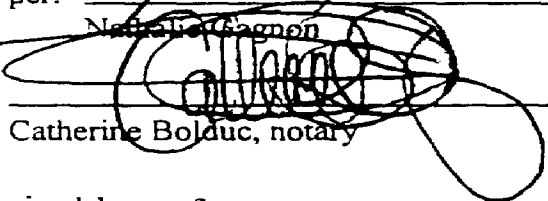
per: 
Claude Raymond

per: 
Pierre Poirier

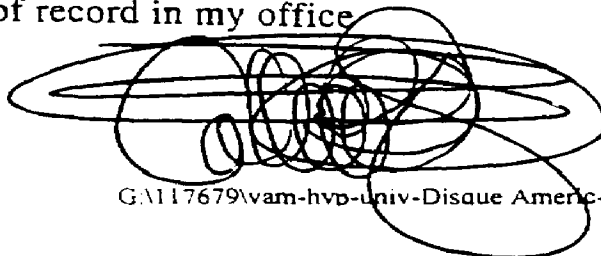
GENERAL TRUST OF CANADA

per: 
Andrée Binette

per: 
Nathalie Gagnon


Catherine Bolduc, notary

A true copy of the original hereof
remaining of record in my office



NOTAIRES - NOTARIES

MINUTE N° 618 OF

Mire Catherine Bolduc, Notary

Executed on August 30 , 2001

**DEED OF HYPOTHEC AND ISSUE OF
BONDS**

by

DISQUE AMÉRIC INC.

in favour of

GENERAL TRUST OF CANADA

**CERTIFIED COPY
COPIE AUTHENTIQUE**

Registered at the Land Registry Office
Registration division of **Drummond**

On September 4, 2001

Under the number: **406764**

1200 McGill College, Suite 2350,
Montreal, Quebec H3B 4G7

TELEPHONE 514 392-0922 FAX 514 392-0922
e-mail kleonard@notarius.net