

4-12-02

04-15-2002

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OMB No. 0651-0027 (exp 5/31/2002)  
Tab settings



U.S. DEPARTMENT OF COMMERCE  
U.S. Patent and Trademark Office

102042619

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):  
Premdor Inc.  
 Individual(s)  Association  
 General Partnership  Limited Partnership  
 Corporation-State  
 Other Corporation - Canada  
Additional name(s) of conveying party(ies) attached?  Yes  No

2. Name and address of receiving party(ies)  
Name: Bank of Montreal  
Internal  
Address:  
Street Address: 115 South LaSalle  
City: Chicago State: IL Zip: 60603  
 Individual(s) citizenship  
 Association  
 General Partnership  
 Limited Partnership  
 Corporation-State  
 Other Corporation - Canada  
If assignee is not domiciled in the United States, a domestic representative designation is attached:  Yes  No  
(Designations must be a separate document from assignment)  
Additional name(s) & address(es) attached?  Yes  No

3. Nature of conveyance:  
 Assignment  Merger  
 Security Agreement  Change of Name  
 Other  
Execution Date:

4. Application number(s) or registration number(s):  
A. Trademark Application No.(s)  
B. Trademark Registration No.(s)  
1,879,770  
1,795,001  
Additional number(s) attached  Yes  No

5. Name and address of party to whom correspondence concerning document should be mailed:  
Name: David Lesht  
Internal Address: Cook, Alex, McFarron, Manzo,  
Cummings & Mehler, Ltd.  
Street Address: 200 West Adams St., Suite 2850  
City: Chicago State: IL Zip: 60606

6. Total number of applications and registrations involved: 2  
7. Total fee (37 CFR 3.41) \$ 65.00  
 Enclosed  
 Authorized to be charged to deposit account

8. Deposit account number:  
(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. 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.  
David Lesht April 11, 2002  
Name of Person Signing Signature Date  
Total number of pages including cover sheet, attachments, and document: 20

04/15/2002 DBYRNE 00000126 1879770

Mail documents to be recorded with required cover sheet information to:  
Commissioner of Patent & Trademarks, Box Assignments  
Washington, D.C. 20231

01 FC:481 40.00 OP  
02 FC:482 25.00 OP  
03 FC:484 120.00 OP

TRADEMARK  
REEL: 002447 FRAME: 0559

# GENERAL SECURITY AGREEMENT

THIS AGREEMENT is made as of the 31st day of August, 2001.

**TO:** **BANK OF MONTREAL** as Administrative Agent (the "Agent") on behalf of the Lenders party to a credit agreement dated August 31, 2001 between **PREMDOR INC.** and **PREMDOR U.S. HOLDINGS, INC.**, as Borrowers, **BANK OF MONTREAL** as Lead Arranger, Lead Underwriter, Administrative Agent, Canadian Facility Agent and U.S. Facility Agent, and **BANK OF NOVA SCOTIA** and **SUNTRUST BANK**, each as Co-Arrangers, Co-Underwriters and Co-Syndication Agents and the lenders party thereto (collectively, the "Lenders").

**GRANTED BY:** Those Corporations or Seller entities listed in Schedule A annexed hereto, each a "Debtor" and collectively the "Debtors".

Capitalized terms used in this Agreement and not otherwise defined herein shall have the meaning assigned to them in the Credit Agreement (as hereinafter defined) and unless the context otherwise requires or unless otherwise specified, all terms used in this Agreement without initial capitals which are defined in the *Personal Property Security Act* (Ontario) as it may be amended, supplemented, re-enacted or succeeded by successor legislation of comparable effect (the "PPSA"), have the same meanings in this Agreement as in the PPSA.

## ARTICLE 1 DEFINITIONS

### 1.1 Definitions

In this Agreement, the following terms shall have the meanings set out below:

**"Account Debtor"** has the meaning in Section 4.1(e) and **"Account Debtors"** means, collectively, all of them;

**"Accounts"** means all debts, accounts, claims, rents, monies and choses in action which are now or which may at any time hereafter be due and owing to or owned by each Debtor, respectively, or in which each Debtor, respectively, now or hereafter has any other interest, or any part thereof;

**"Agreement"** means this agreement entitled "General Security Agreement" including any recitals and schedules to this Agreement, as may be amended, supplemented or restated in writing from time to time;

**“Chattel Paper”** means all chattel paper in which each Debtor, respectively, now or hereafter has an interest, and any part of such interest;

**“Contracts”** means any contracts, agreements, indentures, licences, commitments, entitlements, engagements or other arrangements, whether written or unwritten, to which each Debtor, respectively, is now or hereafter a party or has a benefit, right, or in which each Debtor, respectively, now or hereafter has an interest;

**“Credit Agreement”** means the credit agreement dated as of August 31, 2001 among Premdor Inc. and Premdor U.S. Holdings, Inc., as Borrowers, the Lenders party thereto, Bank of Montreal, as Lead Arranger, Lead Underwriter, Administrative Agent, Canadian Facility Agent and U.S. Facility Agent, and Bank of Nova Scotia and Suntrust Bank, as Co-Arrangers, Co-Underwriters and Co-Syndication Agents (as such agreement may be amended, restated or replaced from time to time);

**“Documents of Title”** means all documents of title, whether negotiable or non-negotiable, including, without limitation, all warehouse receipts and bills of lading, in which each Debtor, respectively now or hereafter has an interest, and any part thereof;

**“Equipment”** means all goods in which each Debtor, now or hereafter has an interest other than Inventory or consumer goods and any part thereof, including, without limitation, all tools, apparatus, fixtures, plant, machinery and furniture;

**“Instruments”** means all letters of credit, advices of credit and all other instruments in which each Debtor, respectively, now or hereafter has an interest, and any part thereof;

**“Intangibles”** means all intangible property of whatever kind in which each Debtor, respectively, now or hereafter has an interest, including, without limitation, all of each Debtor’s rights under Contracts, Intellectual Property Rights, Technical Information, permits and quotas;

**“Intellectual Property Rights”** means all trade-marks, trade-names, brands, trade dress, business names, uniform resource locators, domain names, tag lines, designs, graphics, logos and other commercial symbols and indicia of origin, goodwill, patents and inventions, copyrights, industrial designs, and other intellectual property rights, whether registered or not or the subject of a pending application for registration, owned by or licensed to each Debtor, respectively;

**“Inventory”** means all inventory of whatever kind and wherever situate in which each Debtor, respectively, now or hereafter has an interest, including, without limitation, all goods, merchandise, raw materials, goods in process, finished goods and other tangible personal property held for sale, lease, resale or exchange or furnished or to be furnished under contracts for service or that are used or consumed in the business of each Debtor, respectively, and any part thereof;

**“Money”** means all money in which each Debtor, respectively, now or hereafter has an interest, and any part thereof;

**“Permitted Liens”** has the meaning ascribed to it in the Credit Agreement;

**“Places of Business”** means each Debtor’s respective places of business as set forth in Section 4.1(e), and **“Place of Business”** means any one of them;

**“Proceeds”** means all proceeds and personal property in any form derived directly or indirectly from any dealing with the Secured Property or any part thereof and any insurance or payment that indemnifies or compensates for such property lost, damaged or destroyed, and proceeds of proceeds and any part thereof;

**“Secured Property”** means the property, assets, rights and undertaking of each Debtor, respectively, including without limitation, all personal property, Accounts, Chattel Paper, Contracts, Documents of Title, Equipment, Intangibles, Instruments, Inventory, Money, Securities and Proceeds, together with all increases, additions and accessions thereto, and all substitutions or any replacements thereof;

**“Securities”** means all shares, limited partnership units, trust units, stock, warrants, bonds, debentures, debenture stock and other security in which each Debtor, respectively, now or hereafter has an interest, and any part thereof;

**“Security Interest”** means the security interest granted under Section 2.1; and

**“Technical Information”** means all know-how and information owned by or licensed to each Debtor, respectively, confidential or otherwise, including, without limitation, and any information of a scientific, technical, financial or business nature regardless of its form.

## **ARTICLE 2 SECURITY INTERESTS**

### **2.1 Security Interest**

As continuing security for the repayment and the performance of its joint and several obligations under its guarantee dated August 31, 2001 of the obligations of the Borrowers (excluding that Guarantor's obligations as a Borrower) under the Credit Agreement (the “Guarantee Obligations”) given to the Guarantee Parties (as that term is defined thereunder), each Debtor, respectively, hereby grants to the Agent on behalf of the Lenders a continuing, specific and fixed security interest in all of its property, assets, rights and undertakings of every nature and kind, now or hereafter acquired and at any time and from time to time existing or in which it has or acquires an interest, wherever situate, including, without limiting the generality of the foregoing, all of the Secured Property.

### **2.2 Fixed Nature of Security Interests**

The Security Interest is intended to operate as a fixed and specific charge of all of the Secured Property presently existing, and with respect to all future Secured Property, to operate as a fixed and specific charge of such future Secured Property.

### **2.3 Attachment**

Each Debtor, respectively, acknowledges that value has been given. The Security Interest granted by each Debtor is intended to attach, as to all its presently owned Secured Property, upon

the execution by such Debtor of this Agreement and, as to its subsequently acquired Secured Property, upon acquisition by such Debtor.

## **2.4 Leases**

The last day of any term reserved by any lease, written or unwritten, or any agreement to lease, now held or hereafter acquired by a Debtor, respectively, is hereby excepted out of the Security Interests. As further security for the payment of the Guarantee Obligations, each such Debtor agrees that it will stand possessed of the reversion of such last day of the term and shall hold it in trust for the Agent for the purpose of this Agreement. Each Debtor, respectively, shall assign and dispose of the same in such manner as the Agent may from time to time direct in writing without cost or expense to the Agent. Upon any sale, assignment, sublease or other disposition of such lease or agreement to lease, the Agent shall, for the purpose of vesting the residue of any such term in any purchaser, assignee, sublessee or such other acquirer of the lease, agreement to lease or any interest therein, be entitled by deed or other written instrument to assign to such other person, the residue of any such term in place of the relevant Debtor and to vest the residue freed and discharged from any obligation whatsoever respecting the same.

## **ARTICLE 3 OBLIGATIONS SECURED**

### **3.1 Obligations**

Each Debtor's Secured Property constitutes and will constitute continuing security for the prompt payment, as and when due and payable, of all Guarantee Obligations of such Debtor whether now existing or hereafter incurred, matured or unmatured, direct, indirect or contingent, including any amendments, restatements, supplements, extensions, renewals and replacements thereof.

## **ARTICLE 4 DEBTORS' REPRESENTATIONS, WARRANTIES AND COVENANTS**

### **4.1 Representations and Warranties**

Each Debtor, respectively, hereby represents and warrants to the Agent the matters set out below:

- (a) **Incorporation, Licences and Qualifications** – that it:
  - (i) is a corporation or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization;
  - (ii) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification (except for jurisdictions in which such failure to so qualify or to be in good standing has not had and would not reasonably be expected to have a Material Adverse Effect);
  - (iii) has the requisite corporate or organizational power and authority and the legal right to own, and operate its properties and create security thereon, to

lease the property it operates under lease, and to conduct its business as now heretofore and, as of the Effective Date, proposed to be conducted;

- (iv) has all licences, permits, consents or approvals from or by, and has or will have made all jurisdiction, to the extent required for such ownership, operation and conduct (except for such licences, permits, consents or approvals, the absence of which, and such filings and notices, as to which the failure to make or give, has not had and would not reasonably be expected to have a Material Adverse Effect); and
  - (v) is in compliance with its certificate or articles of incorporation and bylaws or equivalent constating documents.
- (b) **Corporate Authority and Power** – it has full power and lawful authority to enter into this Agreement and to grant the Security Interest.
  - (c) **No Other Corporate Names or Styles** – except as may be specified on Schedule A, it does not carry on business under or use any name or style other than the name(s) specified in this Agreement including, without limitation, any names in the French language or any other language.
  - (d) **Non-Conflict** – neither the execution and delivery of any of the Credit Documents, nor the consummation of the transactions contemplated therein, nor performance of any compliance with the terms and provisions thereof, by it will (a) violate or conflict with any provision of its certificate or articles of incorporation or bylaws or equivalent constating documents, (b) violate, contravene or materially conflict with any Requirement of Law or any other law, regulation, order, writ, judgment, injunction, decree or permit applicable to it, the violation of which would have or would reasonably be expected to have a Material Adverse Effect, (c) violate, contravene or conflict with any contractual provisions of, or cause any event of default under, any indenture, loan agreement, mortgage, deed of trust, contract or other agreement or instrument to which it is a party or by which it or any of its properties is bound, the violation of which would have or would reasonably be expect to have a Material Adverse Effect or (d) result in or require the creation of any Lien (other than any Permitted Lien) upon or with respect to any of its properties.
  - (e) **Place of Business of Borrower** - The location of its place(s) of Business and chief executive office are specified on Schedule A.
  - (f) **Account Debtor** - Each of the Accounts, Chattel Paper, Contracts and Instruments constituting its Secured Property is genuine and enforceable in accordance with its terms against the party obligated to pay thereunder (individually, an “Account Debtor” and collectively, the “Account Debtors”).
  - (g) **Amounts Due From Account Debtor** - The amount represented by it to the Agent from time to time as owing by each of its Account Debtors to the best of its knowledge, is the correct amount actually and unconditionally owing by such

Account Debtor or Account Debtors, save and except for normal cash discounts where applicable and a reasonable reserve for bad debts.

- (h) **Enforceability** - This Agreement constitutes a valid and legally binding obligation of such Debtor enforceable against it in accordance with its terms.

#### 4.2 Covenants

Unless compliance with the following covenants is waived by the Agent in writing or unless non-compliance with any such covenants is otherwise consented to by the Agent in writing, each Debtor covenants and agrees that:

- (a) **Continued Existence** – it shall maintain its corporate existence in good standing other than as permitted by the Credit Agreement and shall ensure that it has, at all times, full power and corporate authority to carry on the activities conducted by it and to perform its obligations under this Agreement;
- (b) **Good Repair** - it shall keep its Secured Property in good working order and condition, normal wear and tear excepted;
- (c) **Compliance with Agreements and Laws** – it shall not use its Secured Property in violation of this Agreement or any other agreement relating to its Secured Property or any policy insuring its Secured Property or any applicable statute, law, by-law, rule, regulation, court order or ordinance;
- (d) **Notification to Agent** - it shall promptly notify the Agent of:
  - (i) **Claims and Liens** - any material claim, lien, charge, security interest or other encumbrance made or asserted against any of its Secured Property; and
  - (ii) **Proceedings** - any material suit, action or proceeding affecting any of its Secured Property or which could affect it;

and it shall, at its own expense, defend its Secured Property against any and all such claims, liens, charges, security interests or other encumbrances and against any and all such suits, actions or proceedings;

- (e) **No Accessions or Fixtures** - it shall prevent its Secured Property from becoming an accession to any property other than its Secured Property or from becoming a fixture unless its Security Interests rank prior to the interests of all other persons (other than the Agent) in the real property;
- (f) **Marking the Secured Property** - it shall, at the request of the Agent, mark, or otherwise take appropriate steps to identify, its Secured Property to indicate clearly that such Secured Property is subject to its Security Interests;
- (g) **Disposition** - it will not transfer, assign, sell, lease or otherwise dispose of its Secured Property or any interest therein except as contemplated in the Credit Agreement or in the ordinary course of business.

- (h) **Liens** - except for Permitted Liens, it shall not create, assume or suffer to exist any mortgage, hypothec, charge, pledge, security interest, claim, lien, charge or other encumbrance in, of or on any of its Secured Property;
- (i) **Changes and Other Names** – it shall not (i) carry on business or use any name or style other than its names specified in Schedule A of this Agreement, or (ii) change the location of its Places of Business, chief executive office, any of its Secured Property (other than in the ordinary course of business) or the records in respect thereof, or (iii) change its name, in each case without giving to the Agent twenty days prior written notice of such change;
- (j) **Notice of Loss** - it shall give immediate written notice to the Agent of:
  - (i) all material loss or damage to or loss of possession of its Secured Property or any part thereof otherwise than by disposition in accordance with the terms of this Agreement; and
  - (ii) any material failure of any of its Account Debtors in payment or performance of obligations due to it which may affect its Secured Property;
- (k) **Maintenance of Secured Property and Books** - each Debtor shall at all times keep, or cause to be kept, accurate and complete records of the Secured Property as well as proper books of account for its business all in accordance with generally accepted accounting principles, consistently applied, and shall maintain the currency of registration of its Intellectual Property Rights.
- (l) **Examination of Books and Records and Secured Property** – during reasonable business hours, the Agent or its agents shall have the right to examine its Secured Property and review and copy any and all information and data relating to such property, or to any related transactions, wherever and however such information and data may be stored. In the event that the use of a computer system is required for access to which the Agent is entitled, including without limitation, access to any premises, place, Secured Property, books of accounts, records, reports, information or data, it shall allow the Agent the use of its computer system for such purpose and shall provide assistance in that regard, including, without limitation, making known to the Agent any password, access number or other code required for such access. If for any reason the information and data cannot be accessed and retrieved at its premises the Agent may remove the medium in which such information or data is stored from such premises to any other place for the purpose of giving the Agent the opportunity to retrieve, record or copy such information and data. The Agent shall be entitled to reproduce and retain a copy of any such information and data in any format whatsoever. If any of the above items are in the possession of a third party, it shall take all reasonable steps to allow the Agent the access and retrieval to which it is entitled;
- (m) **Delivery of Documents** – it shall deliver to the Lenders promptly upon request:



- (i) **Documents** - any Chattel Paper, Instruments, Securities, and Documents of Title, and upon such delivery, where applicable, duly endorse the same for transfer in blank or as the Agent may direct;
  - (ii) **Policies of Insurance** - all policies and certificates of insurance relating to its Secured Property;
  - (iii) **Contracts and Agreements** - all Contracts and all other agreements, licences, permits and consents relating to the Secured Property and its business; and
  - (iv) **Other Information** - such information concerning the Secured Property, each Debtor and each Debtor's business and affairs as the Agent may request in accordance with the Credit Agreement;
- (n) **Risk and Insurance** – it bears the sole risk of any loss, damage, destruction or confiscation of or to its Secured Property during its possession thereof or otherwise. It shall insure or cause to be insured its Secured Property in accordance with the Credit Agreement. If it fails to so insure, the Agent may insure its Secured Property and the premiums for such insurance shall be added to the balance of the Guarantee Obligations secured under this Agreement as they exist at the date of the payment of such premium by the Agent;
- (o) **No Amalgamation** – save as contemplated by the Credit Agreement, it shall not change the nature of its business or amalgamate or otherwise merge with any person, or change its incorporating jurisdiction, or permit all of or a substantial portion of its property to become the property of any other person, whether in one or a series of transactions, and it shall not do any act or thing that would materially adversely affect its business, property, prospects or financial condition or permit any corporation of which it is the majority shareholder to do any of the foregoing.

## **ARTICLE 5 RIGHT TO DEAL**

### **5.1 Debtor's Rights before Default**

Until the occurrence of an Event of Default and subject to the terms of this Agreement, each Debtor is entitled to deal with its Secured Property in the ordinary course of business, provided however, that no such action shall be taken which would impair the effectiveness of the Security Interests created by this Agreement or which would be inconsistent with or violate the provisions of this Agreement or any other Credit Document to which the Debtor is a party.

### **5.2 Securities**

Until the occurrence of an Event of Default and subject to the terms of this Agreement, each Debtor, respectively, is entitled to receive dividends or other distributions, exercise all voting rights in respect of its Securities and give consents, waivers, notices and ratifications and to take other action in respect thereof, provided however, that no such votes shall be cast or consent,

waiver, notice or ratification given or action shall be taken which would impair the effectiveness of the Security Interests created hereby or reduce the value or the transferability of the Securities or which would be inconsistent with or violate the provisions of this Agreement or any other written agreement between the Agent or the Lenders and the Borrower or any Debtor.

### **5.3 Transfer of Ownership**

The Agent may, in its sole and unfettered discretion, require each Debtor, respectively, to transfer registered ownership of the Securities to the Lenders, the Agent or a nominee of the Agent or the Lenders. Notwithstanding such transfer, prior to the occurrence of an Event of Default, Sections 5.1 and 5.2 shall continue to apply and upon such transfer the Lenders shall provide each Debtor, respectively, with such proxies and other written authorizations as may reasonably be requested by each Debtor, respectively, to enable each Debtor, respectively, to exercise the rights and take the actions described in Sections 5.1 and 5.2.

## **ARTICLE 6 DEFAULT**

### **6.1 Default**

The occurrence of any Event of Default under the Credit Agreement shall constitute an Event of Default (individually an "Event of Default" and collectively, "Events of Default").

### **6.1 Security Enforceable**

The fact that this Agreement provides for Events of Default and rights of acceleration shall not derogate from the nature of any Credit Party Obligation which is payable on demand.

## **ARTICLE 7 REMEDIES**

### **7.1 Agent's Rights and Remedies**

At any time forthwith from the occurrence of an Event of Default, and during the continuance of such Event of Default, all of the Guarantee Obligations of each Debtor shall, at the Agent's option, become immediately due and payable and the Agent may, at its option, proceed to enforce payment and performance of such Guarantee Obligations and to exercise any or all of the rights and remedies contained in this Agreement, (including, without limitation, the signification and collection of such Debtor's Accounts), or otherwise afforded by law, in equity or otherwise. The Agent shall have the right to enforce one or more remedies successively or concurrently in accordance with applicable law and the Agent expressly retains all rights and remedies not inconsistent with the provisions in this Agreement including all the rights it may have under the PPSA. Without limiting the generality of the foregoing, the Agent may, upon the occurrence of any Event of Default and to the extent permitted by applicable law and, where applicable, subject to the Agent's obligations under any shareholders' agreements relating to any Securities:

- (a) **Appointment of Receiver** - Appoint by instrument in writing a receiver (which term shall include a receiver and manager or agent) of any Debtor and of all or any part of its Secured Property and remove or replace such receiver from time to

time or may institute proceedings in any court of competent jurisdiction for the appointment of a receiver. Any such receiver appointed by the Agent, with respect to responsibility for its acts, shall, to the extent permitted by applicable law, be deemed the agent of such Debtor and not of the Agent. Where the Agent is referred to in this Article the reference includes, where the context permits, any receiver so appointed and the officers, employees, servants or agents of such receiver;

- (b) **Enter and Repossess** - Immediately and without notice enter any Debtor's premises and repossess, disable or remove the Secured Property;
- (c) **Retain the Collateral** - Retain and administer the Secured Property in the Agent's sole and unfettered discretion, which discretion each Debtor hereby acknowledges is commercially reasonable;
- (d) **Dispose of the Collateral** - Dispose of any Secured Property by public auction, private tender or private contract with or without notice, advertising or any other formality, all of which are hereby waived by each Debtor to the extent permitted by law. The Agent may, to the extent permitted by law, at their discretion establish the terms of such disposition, including, without limitation, terms and conditions as to credit, upset, reserve bid or price. All payments made pursuant to such dispositions shall be credited against the Guarantee Obligations only as they are actually received. The Agent may, to the extent permitted by law, enter into, rescind or vary any contract for the disposition of any Secured Property and may dispose of any Secured Property again without being answerable for any loss occasioned thereby. Any such disposition may take place whether or not the Agent has taken possession of the Secured Property;
- (e) **Foreclosure** - Foreclose upon the Secured Property;
- (f) **Power of Attorney** - Each Debtor, respectively, hereby irrevocably constitutes and appoints any director or officer of the Agent from time to time, or any receiver appointed of such Debtor as provided for in this Agreement, the true and lawful attorney of such Debtor with full power of substitution, effective upon the occurrence, and during the continuance of, an Event of Default, to do, make and execute all such documents, acts, matters or things with the right to use the name of such Debtor whenever and wherever it may be deemed necessary or expedient in connection with the exercise of its rights and remedies set forth in this Agreement. Without limiting the generality of the foregoing, the Agent or its agents are authorized to sign any financing statements and similar forms which may be necessary or desirable to perfect the Security Interest granted by any Debtor in any jurisdiction on behalf of such Debtor. Each Debtor hereby declares that the irrevocable power of attorney granted by it hereby, being coupled with an interest, is given for valuable consideration;
- (g) **Securities** -
  - (i) **Disposal** - Without limiting the generality of Section 7.1(d), each Debtor, respectively, hereby acknowledges that when disposing of any Securities,

the Agent may be unable to effect a public sale of any or all of the Securities, or to sell any or all of the securities as a control block sale at more than a stated premium to the "market price" of any shares, stock, instruments, warrants, bonds, debenture stock and other securities forming part of the Securities, by reason of certain prohibitions contained in the *Securities Act* (Ontario) and applicable laws of other jurisdictions, but may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such Securities as principal and to comply with other resale restrictions provided for in the *Securities Act* (Ontario) and other applicable laws. each Debtor respectively acknowledges and agrees that any such private sale may result in prices and other terms less favourable to the seller than if such sale were a public sale or a control block sale and, notwithstanding such circumstances, agrees that any such private sale shall not be deemed to have been made in a commercially unreasonable manner solely by reason of its being a private sale. The Agent shall be under no obligation to delay a sale of any of the Securities for the period of time necessary to permit the issuer of such securities to qualify such Securities for public sale under the *Securities Act* (Ontario) or under applicable securities laws of other jurisdictions, even if the issuer would agree to do so, or to permit a prospective purchaser to make a formal offer to all or substantially all holders of any class of securities forming any part of the Securities;

- (ii) **Exercise of Rights** - Upon the occurrence, and during the continuance of, an Event of Default the Agent may elect by written notice to the relevant Debtor and to an officer of the issuer of the Securities, that all or part of the rights of such Debtor in the Securities including, without limitation, the right to vote, give consents, waivers or ratifications and take other actions and receive dividends or other distributions, shall cease, and upon such election all such rights shall become vested in the Agent or as it may direct;
- (iii) **Registration** - Require that the Securities be registered in the name of the Agent or as it may direct and the Agent may thereafter without notice, exercise any and all voting and corporate rights at any meeting of the issuers thereof and exercise any and all rights, privileges or options pertaining to the Securities as if they were the absolute owner, including without limitation, the right to exchange at its discretion, any and all of the Securities upon the amalgamation, merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof or upon the exercise by the issuer thereof of any right, privilege or option pertaining to any of the Securities and in connection therewith, to deposit and deliver any and all of the Secured Property with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine;
- (h) **Collection of Accounts** - Upon the occurrence, and during the continuance of, an Event of Default the Agent on its own account or through a receiver, receiver-

manager or agent and whether alone or in conjunction with the exercise of all or any other remedies contemplated by this Agreement, shall have the right, at any time, to notify and direct Account Debtors to make all payments which are due and owing to the Agent on behalf of the Lenders and the Agent shall have the right, at any time, to hold all amounts acquired from any such Account Debtors and any Proceeds as part of Secured Property. Upon such occurrence and during such continuance, any payments received by any Debtor shall be held by such Debtor in trust for the Agent in the same medium in which received, to be dealt with solely as contemplated by the Credit Agreement, shall not be commingled with any assets of such Debtor and shall, at the request of the Agent be turned over to the Agent not later than the next business day following the day of their receipt;

- (i) **Carry on Business** - Carry on or concur in the carrying on of all or any part of the business of the Debtor and may, in any event, to the exclusion of all others, including such Debtor, enter upon, occupy and use all premises of or occupied or used by such Debtor and use any of the personal property (which shall include fixtures) of such Debtor for such time and such purposes as the Lenders see fit. The Lenders shall not be liable to such Debtor for any neglect in so doing or in respect of any rent, costs, charges, depreciation or damages in connection therewith;
- (j) **Payment of Encumbrances** - Pay any encumbrance, lien, claim or charge that may exist or be threatened against the Secured Property. Any amount so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations;
- (k) **Payment of Deficiency** - If the proceeds of realization are insufficient to pay all monetary Guarantee Obligations, the Debtors shall forthwith pay or cause to be paid to the Agent any deficiency and the Agent may sue any Debtor to collect the amount of such deficiency; and
- (l) **Dealing with Secured Property** - Subject to applicable law, seize, collect, realize, borrow money on the security of, release to third parties, sell (by way of public or private sale), lease or otherwise deal with the Secured Property in such manner, upon such terms and conditions, at such time or times and place or places and for such consideration as may seem to the Agent advisable and without notice to any Debtor. The Agent may charge on their own behalf and pay to others sums for expenses incurred and for services rendered (expressly including without limitation, legal, consulting, broker, management, receivership and accounting fees) in or in connection with seizing, collecting, realizing, borrowing on the security of, selling or obtaining payment of the Secured Property and may add all such sums to the Guarantee Obligations.

## 7.2 Assemble the Secured Property

To assist the Agent in the implementation of such rights and remedies, each Debtor will, at its own risk and expense and immediately upon the Agent's request, assemble and prepare for

removal such items of its Secured Property as are selected by the Agent as shall, in the Agent's sole judgment, have a value sufficient to cover all the Guarantee Obligations.

### **7.3 Allocation of proceeds**

All monies collected or received by the Agent in respect of the Secured Property may be held by the Agent on behalf of the Lenders and may be applied on account of such parts of the Guarantee Obligations at the sole discretion of the Agent on behalf of the Lenders.

### **7.4 Waivers and Extensions**

The Agent may waive default or any breach by any Debtor of any of the provisions contained in this Agreement. No waiver shall extend to a subsequent breach or default, whether or not the same as or similar to the breach or default waived and no act or omission of the Agent shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default of such Debtor or the rights of the Agent or the Lenders resulting therefrom. Any such waiver must be in writing and signed by the Lenders to be effective.

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

### **7.5 Effect of Possession or Receiver**

As soon as the Agent takes possession of any Secured Property or appoints a receiver, all powers, functions, rights and privileges of any Debtor and the directors and officers of such Debtor with respect to the Secured Property shall cease, unless specifically continued by the written consent of the Agent or the receiver.

### **7.6 Indemnity**

Each of the Debtors hereby indemnifies and agrees to and save harmless the Agent and the Lenders from any and all costs, expenses, liabilities and damages which may be incurred by the Agent and the Lenders in connection with:

- (a) its Secured Property;
- (b) the occurrence of an Event of Default; and
- (c) the enforcement of their rights under this Agreement.

### **7.7 Limitation of Liability**

Neither the Agent nor the Lenders shall be liable or accountable:

- (a) by reason of any entry into or taking possession of any of the Secured Property hereby charged or intended so to be or any part thereof, to account as mortgagee in possession or for anything except actual receipts, or for any loss on realization or any act or omission for which a secured party in possession might be liable; or
- (b) for any failure to exercise its remedies, take possession of, seize, collect, realize, sell, lease or otherwise dispose of or obtain payment for the Secured Property and shall not be bound to institute proceedings for such purposes or for the purpose of preserving any rights, remedies or powers of the Agent or the Lenders, any Debtor or any other person in respect of same.

Neither the Agent nor the Lenders shall by virtue of these present be deemed to be a mortgagee in possession of the Secured Property. Each Debtor hereby releases and discharges the Agent and the Lenders and the receiver from every claim of every nature, whether sounding in damages or not, which may arise or be caused to such Debtor or any person claiming through or under such Debtor by reason or as a result of anything done by the Agent or the Lenders or any successor or assign claiming through or under the Agent or the Lenders or the receiver under the provisions of this Agreement unless such claim be the result of dishonesty or gross neglect.

## **ARTICLE 8 MISCELLANEOUS**

### **8.1 Costs**

Each Debtor shall reimburse the Agent on demand for all interest, commissions, costs of realization (which for the purposes of this Agreement shall include any loans or advances made by the Agent to a receiver, receiver-manager or agent) and other costs and expenses (including legal fees and expenses on a solicitor and client basis) incurred by the Agent or any receiver in connection with the protection, enforcement of and advice with respect to enforcement of this Agreement, including, without limitation, those arising in connection with the realization, disposition, retention, protection or collection of its Secured Property and the protection or enforcement of the rights, remedies and powers of the Agent, the Lenders or any receiver and those incurred for perpetual registration of any financing statement registered in connection with the Security Interests. All amounts which any Debtor is required under this Agreement to reimburse the Agent or any receiver shall, from the date of disbursement until the date the Agent or the receiver receives reimbursement, be deemed advanced to such Debtor by the Agent, shall be deemed to be Guarantee Obligations secured hereby and shall bear interest at the highest rate per annum charged by the Agent on any of the other Guarantee Obligations.

### **8.2 Entire Agreement**

As between a Debtor and the Agent, this Agreement together with any other applicable Credit Documents that the Debtor and the Agent are parties to contains the entire agreement relating to the Security Interests granted in this Agreement by that Debtor between such parties. Any modification of this Agreement shall not be binding unless in writing and signed by the Agent and the relevant Debtor.

### **8.3 Severability**

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

### **8.4 Continuing Security**

The rights, remedies and powers conferred by this Agreement are cumulative and are in addition to, and not in substitution for, any other rights, remedies or powers the Agent or the Lenders may have under this Agreement, by contract, at law, in equity or by or under the PPSA or any other statute. The Agent or the Lenders may proceed by way of any action, suit or other proceeding at law, in equity or by contract, and no right, remedy or power of the Agent or the Lenders shall be exclusive of or dependent on any other. The Agent or the Lenders may exercise any of their rights, remedies or powers separately or in combination and at any time.

### **8.5 Security Interests Effective Immediately**

Neither the execution of, nor any filing with respect to, this Agreement shall obligate the Agent to make any advance or loan or further advance, or bind the Agent to grant or extend any credit to the Borrowers or any Debtor.

### **8.6 Statutory Waivers**

To the fullest extent permitted by law, each Debtor waives all of the rights, benefits and protections given to it by the provisions of any existing or future statute which imposes limitations upon the powers, rights or remedies of the Agent or the Lenders or upon the methods of realization of security, including any seize or sue or anti-deficiency statute or any similar provisions of any other statute.

### **8.7 Reasonableness**

Each Debtor, respectively, acknowledges that the provisions of this Agreement and, in particular, those respecting rights, remedies and powers of the Agent or the Lenders and any receiver against such Debtor, its business and its Secured Property upon the occurrence of an Event of Default, are commercially reasonable.

### **8.8 Further Assurances**

Each Debtor, respectively, shall at all times, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, transfers, assignments, security agreements and assurances as the Agent may reasonably require in order to give effect to the provisions of this Agreement and for the better granting, transferring, assigning, charging, setting over, assuring, confirming or perfecting the Security Interest granted by it and the priority accorded to them by law and as intended under the Credit Documents. Each Debtor, respectively, further agrees that a carbon, photographic, photostatic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement.



## **8.9 Notices**

All notices and other communications shall have been given and shall be effective when delivered in accordance with section 11.1 of the Credit Agreement.

## **8.10 Discharge**

This Agreement shall terminate upon the irrevocable payment and performance of all of the Guarantee Obligations and no commitments or other obligations of the Credit Parties under the Credit Agreement are outstanding or otherwise have been terminated or cancelled and the Agent shall at the expense of such Debtors cancel and discharge the Security Interests and execute and deliver to such Debtors such documents and make and do all such acts and things as such Debtor shall consider reasonably necessary or desirable to discharge the Security Interests hereby constituted.

## **8.11 Headings**

All headings and titles in this Agreement are for reference only and are not to be used in the interpretation of the terms of this Agreement.

## **8.12 Enurement**

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns (in the case of the Agent, as permitted in the Credit Agreement) except that no Debtor shall have the right to assign its rights or obligations hereunder or any interest herein without the prior written consent of the Agent.

## **8.13 Applicable Law**

This Agreement shall be construed and enforceable under and in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and without prejudice to the ability of the Lenders or any other rightful party to enforce this Agreement in any other proper jurisdiction, each Debtor, respectively, hereby irrevocably attorns to the jurisdiction of the courts of the Province of Ontario.

## **8.14 Paramountcy**

In the event of any conflict, inconsistency, ambiguity or difference between the provisions of this Agreement and of the Credit Agreement, the provisions of the Credit Agreement shall govern and be paramount, and any such provision in this Agreement shall be deemed to be amended to the extent necessary to eliminate any such conflict, inconsistency, ambiguity or difference. Notwithstanding the foregoing, if there is any right or remedy of the Agent or the Lenders set out in this Agreement or any part thereof which is not set out or provided for in the Credit Agreement, such additional right or remedy shall not constitute a conflict, inconsistency, ambiguity or difference.

## **8.15 Delivery of Copy**

Each Debtor, respectively, hereby acknowledges receiving a copy of this Agreement.

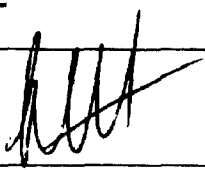
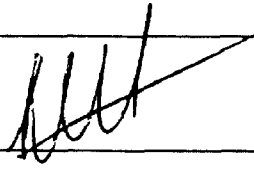
**8.16 Counterparts**

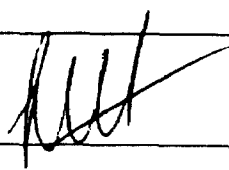
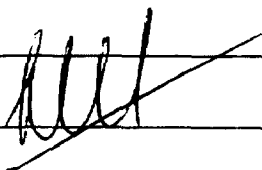
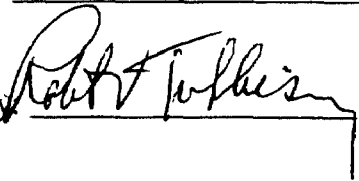
This Agreement, or any amendment to it, may be executed in multiple counterparts, each of which shall be deemed to be an original agreement. All counterparts shall be construed together and shall constitute one and the same agreement. Any delivery of an executed copy of this Agreement by way of telecopy or facsimile shall constitute delivery hereof, provided that any party delivering by way of telecopy or facsimile shall, as soon as reasonably practicable, deliver the original executed copy to the other parties.

**IN WITNESS OF WHICH EACH DEBTOR RESPECTIVELY** has duly executed this Agreement.

**[SIGNATURE PAGES TO FOLLOW]**

**SCHEDULE A**

<u>Name</u>	<u>Place of Business</u>	<u>Execution</u>
<p>Premdor Inc.</p>	<p>1600 Britannia Road East Mississauga, Ontario L6W 1J2</p> <p>1620 Britannia Road East Mississauga, Ontario L4W 1J2</p> <p>9255 – 194<sup>th</sup> Street Surrey, British Columbia V4N 4G1</p> <p>41916 Central Road Yarrow, British Columbia</p> <p>Suite 2800 666 Burrard Street Vancouver, British Columbia V6C 2Z7</p> <p>4180, rue Villeneuve Lac Mégantic, Québec G6B 2C3</p> <p>4800, rue Roberge Lac Mégantic, Québec</p> <p>4100, rue Villeneuve Lac Mégantic, Québec</p>	<p>By: </p> <p>Name: _____</p>
<p>Premdor Entry Systems Limited/les Systemes Premdor Entry Limitee</p>	<p>1600 Britannia Road East Mississauga, Ontario L6W 1J2</p> <p>2677 Kyle Road Kelowna, British Columbia V1Z 2M9</p> <p>445, 1ère Avenue St-Romuald, Québec G6W 5M6</p>	<p>By: </p> <p>Name: _____</p>

	421, rue Notre-Dame C.P. 990 Berthierville, Québec J0K 1A0	
Les Portes Centenaires Limitee	1600 Britannia Road East Mississauga, Ontario L6W 1J2  3115 Peppermill Court Mississauga, Ontario L5L 4X5  421, rue Notre-Dame C.P. 990 Berthierville, Québec J0K 1A0  550, rue Marchand Berthierville, Québec J0K 1A0  500, rue Melchers Berthierville, Québec J0K 1A0  445, 1ère Avenue St. Romuald, Québec G6W 5M6	By:  Name: _____
Crown Door Corporation	1600 Britannia Road East Mississauga, Ontario L6W 1J2  1620 Britannia Road East Mississauga, Ontario L4W 1J2	By:  Name: _____  And by  Name: _____