

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

### RECORDATION FORM COVER SHEET TRADEMARKS ONLY

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

1. Name of conveying party(ies):

Spinrite Inc.  
469974 Ontario Limited  
825643 Ontario Limited

Individual(s)  
 Association  
 General Partnership       Limited Partnership  
 Corporations (Canada)  
 Other

Additional name(s) of conveying party(ies) attached?  Yes  No

2. Name and Address of receiving party(ies)

Name: Spinrite Inc.

Address: 320 Livingstone Avenue South  
Listowel Ontario N4W 3H3

Individual(s) citizenship \_\_\_\_\_  
 Association \_\_\_\_\_  
 General Partnership \_\_\_\_\_  
 Limited Partnership \_\_\_\_\_  
 Corporation (Canada)  
 Other

3. Nature of conveyance:

Assignment                       Merger  
 Security Agreement               Change of Name  
 Other

Effective Date: March 31, 1998

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

4. Application number(s) or registration number(s):

A. Trademark Application No.(s):

Additional numbers attached?  Yes  No

B. Trademark Registration No.(s): See Attached

5. Name and address of party to whom correspondence concerning document should be mailed:

Hayley M. Smith  
Senior Legal Assistant  
Kirkland & Ellis  
153 East 53rd Street  
New York, NY 10022-4675  
Telephone (212) 446-4800  
Fax (212) 446-4900

6. Total number of applications and registrations involved: 13

7. Total fee (37 CFR 3.41)..... \$ 340  
 Enclosed  
 To be Charged to Deposit Account

8. Deposit Account No. 111098  
 (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.*

Hayley M. Smith                      Hayley M. Smith                      Feb 2, 2004  
 Name of Person Signing                      Signature                      Date

Total number of pages including cover sheet, attachments, and document: 68

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

CIH \$340.00 111098 1034364

**SCHEDULE TO RECORDATION COVER SHEET**

Spinrite Inc., 469974 Ontario Limited, 825643 Ontario Limited  
to Spinrite Inc.

Mark	Reg. No.
BERELLA 4 & Design	Reg. No. 1034354
BIG DEAL	Reg. No. 1995674
BERNAT	Reg. No. 765,926
BERNAT	Reg. No. 840,552
BERNAT MADEIRA NEEDLEPOINT	Reg. No. 1,318,315
BOUQUET	Reg. No. 2126513
HANDICRAFTER	Reg. No. 0764725
HANDICRAFTER	Reg. No. 2163053
LILY	Reg. No. 237,163
NICE 'N SOFT	Reg. No. 1846241
SPINDLECRAFT	Reg. No. 1685366
ULTRA-SOFT	Reg. No. 1806759
WHITE BUFFALO & Design	Reg. No. 1504498



5 A) The amalgamation agreement has been duly adopted by the shareholders of each of the amalgamating corporations as required by subsection 176(4) of the *Business Corporations Act* on the date set out below.

A) Les actionnaires de chaque société qui fusionne ont dûment adopté la convention de fusion conformément au paragraphe 176(4) de la *Loi sur les sociétés par actions* à la date mentionnée ci-dessous.

Check A or B      Cocher A ou B

B) The amalgamation has been approved by the directors of each amalgamating corporation by a resolution as required by section 177 of the *Business Corporations Act* on the date set out below.  
The articles of amalgamation in substance contain the provisions of the articles of incorporation of

B) Les administrateurs de chaque société qui fusionne ont approuvé la fusion par voie de résolution conformément à l'article 177 de la *Loi sur les sociétés par actions* à la date mentionnée ci-dessous. Les statuts de fusion reprennent essentiellement les dispositions des statuts constitutifs de

and are more particularly set out in these articles.

et sont énoncées textuellement aux présents statuts.

Names of amalgamating corporations <i>Dénomination société des sociétés qui fusionnent</i>	Ontario Corporation Number <i>Numéro de la société en Ontario</i>	Date of Adoption/Approval <i>Date d'adoption ou d'approbation</i>
SPINRITE INC.	1076412	March 31, 1998
469974 ONTARIO LIMITED	469974	March 31, 1998
825643 ONTARIO LIMITED	825643	March 31, 1998

6. Restrictions, if any, on business the corporation may carry on or on powers the corporation exercises. *Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la société.*

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There are no restrictions on the business the Corporation may carry on or on the powers the Corporation may exercise.

7. The classes and any maximum number of shares that the corporation is authorized to issue. *Catégories et nombre maximal, s'il y a lieu, d'actions que la société est autorisée à émettre.*

200,000 special shares;  
8,000 Class A preference shares;  
53,500 Class X preference shares;  
53,500 Class Y preference shares;  
53,500 Class Z preference shares;  
An unlimited number of common shares.

- 9. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which is to be issued in series: *Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions qui peut être émise en série:*

SPECIAL SHARES

(1) The holders of the special shares shall be entitled to receive and the Corporation shall pay thereon as and when declared by the board of directors of the Corporation out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential dividends at the rate of 50.08 per share (or such lesser amount as may be determined from time to time by the board of directors of the Corporation) per annum payable semi-annually on the 30th day of June and the 31st day of December in each year. If on any dividend payment date the dividend payable on such date is not paid in full on all of the special shares then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors on which the Corporation shall have sufficient moneys properly applicable to the payment thereof. The holders of the special shares shall not be entitled to any dividends other than or in excess of the fixed cumulative preferential dividends as hereinbefore provided for. Cheques of the Corporation payable at par at any branch in Canada of the Corporation's bankers for the time being shall be issued in respect of such dividends and payment thereof shall satisfy such dividends.

(2) No dividends shall at any time be declared or paid on or set apart for payment on the common shares or on any shares of any other class of the Corporation ranking junior to the special shares of the Corporation nor shall the Corporation call for redemption any of the special shares outstanding unless all fixed cumulative preferential dividends up to and including the dividend payable for the last completed semi-annual period on the special shares then issued and outstanding shall have been declared and paid.

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- (3) In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the special shares shall be entitled to receive out of the assets and property of the Corporation, before any amount is paid or any property or assets of the Corporation is distributed to the holders of any common shares or shares of any other class ranking junior to the special shares an amount equal to the redemption price referred to in clause (5) hereof. After payment to the holders of the special shares of the amounts so payable to them as above provided they shall not be entitled to share in any further distribution of the property and assets of the Corporation.
- (4) Subject to the provisions of clause (2) hereof, the Corporation may at any time or times purchase (if obtainable) for cancellation all or any part of the special shares outstanding from time to time by invitation for tenders addressed to all the holders of record of the special shares outstanding or (with the consent of all the holders of the special shares) by private contract at the lowest price or prices at which in the opinion of the board of directors such shares are obtainable but not exceeding an amount equal to the redemption price referred to in clause (5) hereof plus costs of purchase. Where, in response to any invitation for tenders, two or more shareholders submit tenders at the same price and such tenders are accepted by the Corporation as to part only of the shares offered, the Corporation shall accept part of the shares offered in each such tender in proportion as nearly as may be to the total number of shares offered in each such tender.
- (5) Subject to the provisions of clause (2) hereof, the Corporation may upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of the then outstanding special shares on payment for each share to be redeemed of the amount of \$1.00 per share together with an amount equal to all cumulative preferential dividends, if any,

accrued thereon up to the date fixed for redemption and then remaining unpaid (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day for the period from the expiration of the last period for which dividends have been paid up to and including the date of redemption, but subject to the directors' right to make the determination that lesser amounts shall be paid, as set out in clause (1)) the whole constituting and being hereinafter referred to as the "redemption price".

In the case of redemption of special shares under the provisions of clause (5) hereof, the Corporation shall at least ten days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of special shares to be redeemed a notice in writing of the intention of the Corporation to redeem such special shares. Such notice shall be mailed in a prepaid letter addressed to each such shareholder at his address as it appears on the books of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder, provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the shares held by the persons to whom such notice is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption the Corporation shall pay or cause to be paid to or to the order of the registered holders of the special shares to be redeemed the redemption price on presentation and surrender at the head office of the Corporation or any other place designated in such notice of the certificates representing the special shares called for redemption and such special shares shall thereupon be redeemed. If a part only of the special shares represented by any certificate is redeemed, a new certificate for the balance shall be issued at the expense of the Corporation. From and after the date specified in any such notice, the special shares called for



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redemption shall cease to be entitled to dividends and the holders thereof shall be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem any special shares as aforesaid to deposit the redemption price of the special shares so called for redemption or of such of the said shares as are represented by certificates which have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of such special shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the special shares in respect of which such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively.

A holder of special shares shall be entitled to require the Corporation to redeem at any time or times all or any part of the special shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its head office a share certificate representing the special shares which the registered holder desires to have the Corporation redeem together with a request in writing specifying:

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- (i) that the registered holder desires to have the special shares represented by such certificate redeemed by the Corporation, and
- (ii) the business day (in this paragraph referred to as the "redemption date") on which the holder desires to have the Corporation redeem such special shares.

Requests in writing shall specify a redemption date which shall be not less than ninety (90) days after the day on which the request in writing is given to the Corporation. Upon receipt of a share certificate representing the special shares which the registered holder desires to have the Corporation redeem together with such a request, the Corporation shall on the redemption date redeem such special shares by paying to such registered holder an amount equal to the redemption price referred to in clause (5) hereof. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada. The said special shares shall be redeemed on the redemption date and from and after the redemption date such shares shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of holders of special shares in respect thereof unless payment of the redemption price is not made on the redemption date, in which event the rights of the holders of the said shares shall remain unaffected.

The holders of the special shares shall not be entitled as such (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting. The holders of the special shares shall, however, be entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution of the Corporation or the sale of its undertaking or a substantial part thereof.

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## CLASS A PREFERENCE SHARES

- (9) Payment of Dividends: After payment to the holders of the special shares, the holders of the Class A preference shares, in priority to the Class X preference shares, the Class Y preference shares, the Class Z preference shares and the common shares or shares of any other class ranking junior to the Class A preference shares, shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends, preferential non-cumulative dividends on each Class A preference share at such rate per annum as may be determined from time to time by the board of directors, if within 6 months after the end of any fiscal year the board of directors in its discretion shall not have declared a preferential non-cumulative cash dividend on the Class A preference shares for such fiscal year, then the rights of the holders of the Class A preference shares to such dividend, for such fiscal year, shall be forever extinguished.
- (10) The Class A preference shares or any part thereof may be redeemed at the option of the Corporation or of the holder or holders thereof for the sum of \$81.219542 (the "Redemption Amount") per share, provided that if Revenue Canada, Taxation (the "Department") determines that the fair market value of any property sold or transferred to, or exchanged with any predecessor to the Corporation for the Class A preference shares was greater or less than the Redemption Amount of the Class A preference shares issued therefor by the Corporation at the time of the sale or transfer to, or exchange with, the Corporation, the Redemption Amount shall be adjusted so that the total of the Redemption Amounts payable by the Corporation on redemption of all such Class A preference shares shall be equal to the fair market value as ultimately determined of the said property sold, transferred to, or exchanged with the Corporation as aforesaid. Such adjustment to the Redemption Amount shall be

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effective retroactively to the date of the first issuance of the shares converted into such Class A preference shares on the Amalgamation.

The adjustment to the Redemption Amount shall be:

- (i) such amount as may be agreed by the Department, the Corporation and the holder or holders of the Class A preference shares, to have been the fair market value at the time of the sale or transfer to, or exchange with, the Corporation of the property sold, transferred or exchanged for the shares converted into such Class A preference shares on the Amalgamation; or
- (ii) in the absence of such agreement, such amount as shall be determined in an action or other proceedings to which the Department, the Corporation and the holder or holders of the Class A preference shares are parties by a Court of competent jurisdiction (after all appeal rights have expired without appeals having been taken) to have been the fair market value at the time of the sale or transfer to, or exchange with, the Corporation of the property sold, transferred or exchanged for the shares converted into such Class A preference shares on the Amalgamation.

(11) So long as any Class A preference shares are outstanding, the Corporation shall not without the prior written approval of the holders thereof:

- (i) redeem, purchase or otherwise make any payment or distribution to the holder of any of its shares (other than Class A preference shares), other than by way of dividend; or
- (ii) declare or pay any dividend on any of its shares (other than Class A preference shares), if immediately after giving effect to such action, the Retained Earnings (as hereinafter defined) would be reduced to an amount less than the total of the Redemption Amounts of all the Class A preference shares then outstanding. For the purposes of this subsection "Retained Earnings" means the realizable value of the

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assets of the Corporation net of all its liabilities and paid up capital.

- (12) The holders of the Class A preference shares shall not be entitled to vote at any meetings of the shareholders of the Corporation but shall be entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Corporation or the sale of its undertaking or a substantial part thereof.

#### CLASS X PREFERENCE SHARES

- (13) Payment of Dividends: After payment to the holders of the special shares and the Class A preference shares, the holders of the Class X preference shares, in priority to the Class Y preference shares, the Class Z preference shares and the common shares or shares of any other class ranking junior to the Class X preference shares, shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends, preferential non-cumulative dividends on each Class X preference share at such rate per annum as may be determined from time to time by the board of directors, if within 6 months after the end of any fiscal year the board of directors in its discretion shall not have declared a preferential non-cumulative cash dividend on the Class X preference shares for such fiscal year, then the rights of the holders of the Class X preference shares to such dividend, for such fiscal year, shall be forever extinguished.

- (14) Participation upon Liquidation, Dissolution or Winding-Up: In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets or property of the Corporation among its shareholders for the purpose of winding-up its affairs, and after payment to the holders of the special shares and the Class A preference shares, the holders of the Class X preference shares shall be entitled to receive from the assets and property of the Corporation for each Class X preference share held by them an amount equal to the

Redemption Price (as defined in clause (15)(iii)) plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount", before any amount shall be paid or any property or assets of the Corporation distributed to the holders of any Class Y preference shares, Class Z preference shares; common shares or shares of any other class ranking junior to the Class X preference shares. After payment to the holders of the Class X preference shares of the amount so payable to them as above provided they shall not be entitled to share in any further distribution of the assets or property of the Corporation, but subject always to clauses (17)(ii), (iii) and (iv) hereof.

Redemption at Option of Holder: A holder of Class X preference shares shall be entitled to require the Corporation to redeem, subject to the requirement of the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, at any time or times all or any of the Class X preference shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its registered office a share certificate or certificates representing the Class X preference shares which the registered holder desires to have the Corporation redeem together with a request in writing specifying (i) that the registered holder desires to have the said Class X preference shares represented by such certificate or certificates redeemed by the Corporation and (ii) the business day (herein referred to as the "Redemption Date") on which the holder desires to have the Corporation redeem such Class X preference shares. The Redemption Date shall be not less than 30 days after the day on which the request in writing is given to the Corporation. Upon receipt of a share certificate or certificates representing the Class X preference shares which the registered holder desires to have the Corporation redeem together with such a request the Corporation shall on the Redemption Date redeem such Class X preference shares by paying to such registered holder an amount for each share to be redeemed equal to the Redemption Price (as defined in

clause (15)(iii)), plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount". Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada or in such other manner as the holder may consent to in writing. The said Class X preference shares shall be redeemed on the Redemption Date and from and after the Redemption Date such shares shall cease to be entitled to dividends and the holder thereof shall not be entitled to exercise any of the rights of holders of Class X preference shares in respect thereof unless payment of the Redemption Amount is not made on the Redemption Date, in which event the rights of the holder of the said Class X preference shares shall remain unaffected, but subject always to clauses (17) (i), (iii) and (iv) hereof.

Idem: If a holder of Class X preference shares shall have required the Corporation pursuant to the provisions of clause (15)(i) hereof to redeem all or any of the Class X preference shares registered in the name of such holder and the Corporation cannot redeem the said Class X preference shares on the Redemption Date without thereby contravening the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, the Corporation shall redeem the said Class X preference shares as soon as it is lawfully able to do so and until the said Class X preference shares are so redeemed the rights of the holder thereof shall remain unaffected, provided that the said holder may at any time by notice in writing tendered to the Corporation at its registered office withdraw the request that the said Class X preference shares be redeemed, in which event the Corporation shall return to the said holder the share certificate or certificates representing the said Class X preference shares which had been tendered to the Corporation.

Idem: The "Redemption Price" for each Class X preference share shall be the amount of \$44.00 per share, which the board of directors of Spinrite Yarns and Dyers Limited, a predecessor

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to the Corporation ("Spinrite") have determined is the quotient obtained when an amount equal to the aggregate fair market value of the 53,500 Class X preference shares of Spinrite is divided by 53,500.

(iv) Idem: The Redemption Price for the Class X preference shares established in the foregoing manner shall be the Redemption Price applicable to all Class X preference shares.

5) (i) Redemption by Corporation: The Corporation may, upon giving notice as hereinafter provided, redeem at any time the whole or from time to time any part of the then outstanding Class X preference shares on payment of an amount for each share to be redeemed equal to the Redemption Price, plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount".

(ii) Idem: In the case of redemption of Class X preference shares under the provisions of clause (16)(i) hereof, the Corporation shall at least 21 days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Class X preference shares to be redeemed a notice in writing of the intention of the Corporation to redeem such Class X preference shares. Such notice shall be mailed by letter, postage prepaid, addressed to each such shareholder at his address as it appears on the records of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one or more of such shareholders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount and the date on which redemption is to take place and if part only of the shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the registered holders of the Class X preference shares to be redeemed the Redemption Amount



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thereof on presentation and surrender at the registered office of the Corporation or any other place designated in such notice of the certificates representing the Class X preference shares called for redemption. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers in Canada or in such other manner as the holder may consent to in writing. If a part only of the shares represented by any certificate be redeemed a new certificate for the balance shall be issued at the expense of the Corporation. From and after the date specified for redemption in any such notice (the "Redemption Date") the Class X preference shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the Redemption Amount shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of such shareholders shall remain unaffected, but subject always to clauses (17)(ii), (iii) and (iv) hereof. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem any Class X preference shares to deposit the Redemption Amount for the shares so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or in any trust company in Canada, named in such notice, to be paid without interest to or to the order of the respective holders of such Class X preference shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Class X preference shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total Redemption Amount so deposited against presentation and

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surrender of the said certificates held by them respectively and any interest allowed on such deposit shall belong to the Corporation.

7) (i) Idem: If any taxing authority having jurisdiction alleges that the Redemption Price for each Class X preference share is not a pro rata portion of the aggregate fair market value of the said 53,500 Class X preference shares of Spinrite, immediately prior to the Articles of Amalgamation giving effect hereto becoming effective, as determined by the board of directors or proposes to make an assessment or reassessment of tax on the basis that any gift, benefit or advantage is or has been conferred on any person by reason of the redemption or purchase for cancellation or other acquisition by the Corporation of any Class X preference share, the board of directors of the Corporation, after consultation with such taxing authority, may adjust the Redemption Price per Class X preference share to such other amount as may be determined by the board of directors of the Corporation after such consultation and thereafter the Redemption Price per Class X preference share shall mean the quotient obtained when an amount equal to the aggregate fair market value of the said 53,500 Class X preference shares of Spinrite, as determined by the board of directors of the Corporation after consultation with the said taxing authority, is divided by 53,500, nunc pro tunc.

(ii) Idem: In the event that the Redemption Price for each Class X preference share is increased pursuant to clause (17)(i) hereof following a redemption or purchase for cancellation or other acquisition by the Corporation of a Class X preference share, the Corporation shall pay to the holders of Class X preference shares whose shares were redeemed or purchased for cancellation or otherwise acquired by the Corporation, by way of an increase in the Redemption Amount of such Class X preference shares, an amount equal to the aggregate of the increase determined pursuant to clause (17)(i) hereof plus (a) any additional amount owing as dividends on account of prior dividends based on the Redemption Price and (b) a percentage of

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such increase, which percentage is equal to the average prime rate charged by the principal chartered bank with which the Corporation conducts its banking business on prime business loans, compounded annually (the "Prime Rate"), computed from the date of the redemption or purchase for cancellation or other acquisition by the Corporation up to and including the date of such payment by the Corporation and for purposes of clauses (15)(i) and (16)(ii) hereof the holder of such Class X preference shares shall be deemed to have received payment of the Redemption Amount on the Redemption date.

- (iii) Idem: In the event that the Redemption Price for each Class X preference share is decreased pursuant to clause (17)(i) hereof following a redemption or purchase for cancellation or other acquisition by the Corporation of a Class X preference share, each person whose Class X preference share was redeemed or purchased for cancellation or otherwise acquired by the Corporation shall be liable to pay to the Corporation, by way of a reduction of the Redemption Price of such Class X preference shares, an amount equal to the aggregate of the decrease determined pursuant to clause (17) (i) hereof plus (a) any additional amount previously paid as an excess dividend based on the Redemption Price and (b) a percentage of such decrease, which percentage is equal to the Prime Rate, compounded annually, computed from the date of the redemption or purchase for cancellation or other acquisition by the Corporation up to and including the date of such payment by each such person.

- (iv) Idem: Where such an increase occurs pursuant to clauses (17)(i) and (ii) after Class X preference shares have been redeemed, purchased for cancellation or otherwise acquired by the Corporation, the rights of the former holder shall, notwithstanding any other provisions hereof, be limited to those of a creditor of the Corporation.

Voting Rights: The holders of Class X preference shares shall not be entitled as such to

receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting.

- (19) Waiver: The Corporation or the holder of any Class X preference share may waive; in writing, any of the requirements herein in its favour, including requirements with respect to the giving of notice of redemption.

#### CLASS Y PREFERENCE SHARES

- (20) Payment of Dividends: After payment of dividends to the holders of the special shares, the Class A preference shares and the Class X preference shares, the holders of the Class Y preference shares, shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends, such dividends (if any) at such rate per annum as may be determined from time to time by the board of directors.
- (21) Liquidation, Dissolution or Winding-Up: In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets or property of the Corporation among its shareholders for the purpose of winding-up its affairs, and after payment to the holders of the special shares, the Class A preference shares and the holders of the Class X preference shares, the holders of the Class Y preference shares shall be entitled to receive from the assets and property of the Corporation for each Class Y preference share held by them an amount equal to the Redemption Price (as defined in clause (22)(iii)) plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount", before any amount shall be paid or any property or assets of the Corporation distributed to the holders of any Class Z preference shares, common shares or shares of any other class ranking junior to the Class Y preference shares. After payment to the holders of the Class Y preference shares of the amount so payable to them as above provided they shall not be

entitled to share in any further distribution of the assets or property of the Corporation, but subject always to clauses (24)(ii), (iii) and (iv) hereof.

Redemption at Option of Holder: A holder of Class Y preference shares shall be entitled to require the Corporation to redeem, subject to the requirements of the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, at any time or times all or any of the Class Y preference shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its registered office a share certificate or certificates representing the Class Y preference shares which the registered holder desires to have the Corporation redeem together with a request in writing specifying (i) that the registered holder desires to have the said Class Y preference shares represented by such certificate or certificates redeemed by the Corporation and (ii) the business day (herein referred to as the "Redemption Date") on which the holder desires to have the Corporation redeem such Class Y preference shares. The Redemption Date shall be not less than 30 days after the day on which the request in writing is given to the Corporation. Upon receipt of a share certificate or certificates representing the Class Y preference shares which the registered holder desires to have the Corporation redeem together with such a request the Corporation shall on the Redemption Date redeem such Class Y preference shares by paying to such registered holder an amount for each share to be redeemed equal to the Redemption Price (as defined in clause (23)(iii)), plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount". Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada or in such other manner as the holder may consent to in writing. The said Class Y preference shares shall be redeemed on the Redemption Date and from and after the Redemption Date such shares shall cease to be entitled to dividends and the holder thereof

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shall not be entitled to exercise any of the rights of holders of Class Y preference shares in respect thereof unless payment of the Redemption Amount is not made on the Redemption Date, in which event the rights of the holder of the said Class Y preference shares shall remain unaffected, but subject always to clauses (24) (ii), (iii) and (iv) hereof.

- (ii) Idem: If a holder of Class Y preference shares shall have required the Corporation pursuant to the provisions of clause (22)(i) hereof to redeem all or any of the Class Y preference shares registered in the name of such holder and the Corporation cannot redeem the said Class Y preference shares on the Redemption Date without thereby contravening the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, the Corporation shall redeem the said Class Y preference shares as soon as it is lawfully able to do so and until the said Class Y preference shares are so redeemed the rights of the holder thereof shall remain unaffected, provided that the said holder may at any time by notice in writing tendered to the Corporation at its registered office withdraw the request that the said Class Y preference shares be redeemed, in which event the Corporation shall return to the said holder the share certificate or certificates representing the said Class Y preference shares which had been tendered to the Corporation.
- (iii) Idem: The "Redemption Price" for each Class Y preference share shall be the amount of \$220.46 per share, which the directors of Spinrite have has determined is the quotient obtained when an amount equal to the aggregate fair market value of the 34,968 Class Y preference shares of Spinrite is divided by 34,968.
- (iv) Idem: The Redemption Price for the Class Y preference shares established in the foregoing manner shall be the Redemption Price applicable to all Class Y preference shares.
- (i) Redemption by Corporation: The Corporation may, upon giving notice as hereinafter provided, redeem at any time the whole or from

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time to time any part of the then outstanding Class Y preference shares on payment of an amount for each share to be redeemed equal to the Redemption Price, plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount".

Idem: In the case of redemption of Class Y preference shares under the provisions of clause (23)(i) hereof, the Corporation shall at least 21 days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Class Y preference shares to be redeemed a notice in writing of the intention of the Corporation to redeem such Class Y preference shares. Such notice shall be mailed by letter, postage prepaid, addressed to each such shareholder at his address as it appears on the records of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one or more of such shareholders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount and the date on which redemption is to take place and if part only of the shares held by the person to whom it is addressed is to be redeemed the number of thereof so to be redeemed. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the registered holders of the Class Y preference shares to be redeemed the Redemption Amount thereof on presentation and surrender at the registered office of the Corporation or any other place designated in such notice of the certificates representing the Class Y preference shares called for redemption. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers in Canada or in such other manner as the holder may consent to in writing. If a part only of the shares represented by any certificate be redeemed a new certificate for the balance shall be issued at the expense of the Corporation. From and after the date specified for redemption in any such notice (the "Redemption Date") the Class Y preference

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shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the Redemption Amount shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of such shareholders shall remain unaffected, but subject always to clauses (24)(ii), (iii) and (iv) hereof. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem any Class Y preference shares to deposit the Redemption Amount for the shares so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or in any trust company in Canada, named in such notice, to be paid without interest to or to the order of the respective holders of such Class Y preference shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Class Y preference shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total Redemption Amount so deposited against presentation and surrender of the said certificates held by them respectively and any interest allowed on such deposit shall belong to the Corporation.

Idem: If any taxing authority having jurisdiction alleges that the Redemption Price for each Class Y preference share is not a pro rata portion of the aggregate fair market value of the said 34,968 Class Y preference shares of Spinrite, immediately prior to the Articles of Amalgamation giving effect hereto becoming effective, as determined by the board of directors or proposes to make an assessment or reassessment of tax on the basis that any gift.



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benefit or advantage is or has been conferred on any person by reason of the redemption or purchase for cancellation or other acquisition by the Corporation of any Class Y preference share, the board of directors of the Corporation, after consultation with such taxing authority, may adjust the Redemption Price per Class Y preference share to such other amount as may be determined by the board of directors of the Corporation after such consultation and thereafter the Redemption Price per Class Y preference share shall mean the quotient obtained when an amount equal to the aggregate fair market value of the said 34,968 Class Y preference shares of Spinrite, as determined by the board of directors of the Corporation after consultation with the said taxing authority, is divided by 34,968, nunc pro tunc.

Idem: In the event that the Redemption Price for each Class Y preference share is increased pursuant to clause (24)(i) hereof following redemption or purchase for cancellation or other acquisition by the Corporation of a Class Y preference share, the Corporation shall pay to the holders of Class Y preference shares whose shares were redeemed or purchased for cancellation or otherwise acquired by the Corporation, by way of an increase in the Redemption Amount of such Class Y preference shares an amount equal to the aggregate of the increase determined pursuant to clause (24)(i) hereof plus (a) any additional amount owing as dividends on account of prior dividends based on the Redemption Price and (b) a percentage of such increase, which percentage is equal to the Prime Rate, compounded annually, computed from the date of the redemption or purchase for cancellation or other acquisition by the Corporation up to and including the date of such payment by the Corporation and for purposes of clauses (22)(i) and (23)(ii) hereof the holder of such Class Y preference shares shall be deemed to have received payment of the Redemption Amount on the Redemption Date.

Idem: In the event that the Redemption Price for each Class Y preference share is decreased pursuant to clause (24)(i) hereof following a

redemption or purchase for cancellation or other acquisition by the Corporation of a Class Y preference share, each person whose Class Y preference share was redeemed or purchased for cancellation or otherwise acquired by the Corporation shall be liable to pay to the Corporation, by way of a reduction of the Redemption Price of such Class Y preference shares, an amount equal to the aggregate of the decrease determined pursuant to clause (24)(i) hereof plus (a) any additional amount previously paid as an excess dividend based on the Redemption Price and (b) a percentage of such decrease, which percentage is equal to the Prime Rate, compounded annually, computed from the date of the redemption or purchase for cancellation or other acquisition by the Corporation up to and including the date of such payment by each such person.

- (iv) Idem: Where such an increase occurs pursuant to clauses (24)(i) and (ii) after Class Y preference shares have been redeemed, purchased for cancellation or otherwise acquired by the Corporation, the rights of the former holder shall, notwithstanding any other provisions hereof, be limited to those of a creditor of the Corporation.
- (25) Voting Rights: The holders of Class Y preference shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting.
- (26) Waiver: The Corporation or the holder of any Class Y preference share may waive, in writing, any of the requirements herein in its favour, including requirements with respect to the giving of notice of redemption.

#### CLASS Z PREFERENCE SHARES

- (27) Conversion: A holder of Class Z preference shares shall be entitled at any time and from time to time to have all or any of the Class Z preference shares registered in the name of such holder on the books of the Corporation converted into Class Y preference shares as the

same shall be constituted at the time of conversion upon the basis of one (1) Class Y preference share for each one (1) Class Z preference share in respect of which the conversion right is exercised. The conversion right herein provided for may be exercised by notice in writing given to the Corporation accompanied by the certificate or certificates representing the Class Z preference shares in respect of which the holder thereof desires to exercise such right of conversion and such notice shall be signed by the person registered on the records of the Corporation as the holder of the Class Z preference shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify the number of Class Z preference shares which the holder desires to have converted. Upon receipt of such notice the Corporation shall issue a certificate or certificates representing the Class Y preference shares upon the basis above prescribed and in accordance with the provisions hereof to the registered holder of the Class Z preference shares represented by the certificate or certificates accompanying such notice. If less than all the Class Z preference shares represented by any certificate are to be converted, the holder shall be entitled to receive a new certificate for the Class Z preference shares representing the shares comprised in the original certificate which are not to be converted.

(28) Payment of Dividends: After payment to the holders of the special shares, the Class A preference shares, the Class X preference shares and the Class Y preference shares, the holders of the Class Z preference shares, shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends, such dividends (if any) at such rate per annum as may be determined from time to time by the board of directors.

(29) Participation upon Liquidation, Dissolution or Winding-up: In the event of the liquidation, dissolution or winding-up of the Corporation or

other distribution of assets or property of the Corporation among its shareholders for the purpose of winding-up its affairs, and after payment to the holders of the special shares, the Class A preference shares, the Class X preference shares and the Class Y preference shares, the holders of the Class Z preference shares shall be entitled to receive from the assets and property of the Corporation for each Class Z preference share held by them an amount equal to the Redemption Price (as defined in clause (30)(iii)) plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount", before any amount shall be paid or any property or assets of the Corporation distributed to the holders of any common shares or shares of any other class ranking junior to the Class Z preference shares. After payment to the holders of the Class Z preference shares of the amount so payable to them as above provided they shall not be entitled to share in any further distribution of the assets or property of the Corporation, but subject always to clauses (32)(ii), (iii) and (iv) hereof.

Redemption at Option of Holder: A holder of Class Z preference shares shall be entitled to require the Corporation to redeem, subject to the requirement of the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, at any time or times all or any of the Class Z preference shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its registered office a share certificate or certificates representing the Class Z preference shares which the registered holder desires to have the Corporation redeem together with a request in writing specifying (i) that the registered holder desires to have the said Class Z preference shares represented by such certificate or certificates redeemed by the Corporation and (ii) the business day (herein referred to as the "Redemption Date") on which the holder desires to have the Corporation redeem such Class Z preference shares. The Redemption Date shall be not less than 30 days after the day on which the request in writing is given to the

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Corporation. Upon receipt of a share certificate or certificates representing the Class Z preference shares which the registered holder desires to have the Corporation redeem together with such a request the Corporation shall on the Redemption Date redeem such Class Z preference shares by paying to such registered holder an amount for each share to be redeemed equal to the Redemption Price (as defined in clause (30)(iii)), plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount". Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada or in such other manner as the holder may consent to in writing. The said Class Z preference shares shall be redeemed on the Redemption Date and from and after the Redemption Date such shares shall cease to be entitled to dividends and the holder thereof shall not be entitled to exercise any of the rights of holders of Class Z preference shares in respect thereof unless payment of the Redemption Amount is not made on the Redemption Date, in which event the rights of the holder of the said Class Z preference shares shall remain unaffected, but subject always to clauses (32)(ii), (iii) and (iv) hereof.

Idem: If a holder of Class Z preference shares shall have required the Corporation pursuant to the provisions of clause (30)(i) hereof to redeem all or any of the Class Z preference shares registered in the name of such holder and the Corporation cannot redeem the said Class Z preference shares on the Redemption Date without thereby contravening the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, the Corporation shall redeem the said Class Z preference shares as soon as it is lawfully able to do so and until the said Class Z preference shares are so redeemed the rights of the holder thereof shall remain unaffected, provided that the said holder may at any time by notice in writing tendered to the Corporation at its registered office withdraw the request that the said Class Z preference shares be redeemed, in

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which event the Corporation shall return to the said holder the share certificate or certificates representing the said Class Z preference shares which had been tendered to the Corporation.

(iii) Idem: The "Redemption Price", for each Class Z preference share shall be the amount of \$132.00 per share, which the board of directors of the Corporation have determined is the quotient obtained when an amount equal to the aggregate fair market value of the 18,532 Class Z preference shares of Spinrite is divided by 18,532.

(iv) Idem: The Redemption Price for the Class Z preference shares established in the foregoing manner shall be the Redemption Price applicable to all Class Z preference shares.

(i) Redemption by Corporation: The Corporation may, upon giving notice as hereinafter provided, redeem at any time the whole or from time to time any part of the then outstanding Class Z preference shares on payment of an amount for each share to be redeemed equal to the Redemption Price, plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount".

(ii) Idem: In the case of redemption of Class Z preference shares under the provisions of clause (31)(i) hereof, the Corporation shall at least 21 days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Class Z preference shares to be redeemed a notice in writing of the intention of the Corporation to redeem such Class Z preference shares. Such notice shall be mailed by letter, postage prepaid, addressed to each such shareholder at his address as it appears on the records of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one or more of such shareholders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount and the date on which redemption is to take place and if part

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only of the shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the registered holders of the Class Z preference shares to be redeemed the Redemption Amount thereof on presentation and surrender at the registered office of the Corporation or any other place designated in such notice of the certificates representing the Class Z preference shares called for redemption. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers in Canada or in such other manner as the holder may consent to in writing. If a part only of the shares represented by any certificate be redeemed a new certificate for the balance shall be issued at the expense of the Corporation. From and after the date specified for redemption in any such notice (the "Redemption Date") the Class Z preference shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the Redemption Amount shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of such shareholders shall remain unaffected, but subject always to clauses (32) (ii), (iii) and (iv) hereof. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem any Class Z preference shares to deposit the Redemption Amount for the shares so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or in any trust company in Canada, named in such notice, to be paid without interest to or to the order of the respective holders of such Class Z preference shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Class Z preference

shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total Redemption Amount so deposited against presentation and surrender of the said certificates held by them respectively and any interest allowed on such deposit shall belong to the Corporation.

(i) Idem: If any taxing authority having jurisdiction alleges that the Redemption Price for each Class Z preference share is not a pro rata portion of the aggregate fair market value of the said 18,532 Class Z preference shares of Spinrite, immediately prior to the Articles of Amalgamation giving effect hereto becoming effective, as determined by the board of directors or proposes to make an assessment or reassessment of tax on the basis that any gift, benefit or advantage is or has been conferred on any person by reason of the redemption or purchase for cancellation or other acquisition by the Corporation of any Class Z preference share, the board of directors of the Corporation, after consultation with such taxing authority may adjust the Redemption Price per Class Z preference share to such other amount as may be determined by the board of directors of the Corporation after such consultation and thereafter the Redemption Price per Class Z preference share shall mean the quotient obtained when an amount equal to the aggregate fair market value of the said 18,532 Class Z preference shares of Spinrite, as determined by the board of directors of the Corporation after consultation with the said taxing authority, is divided by 18,532; nunc pro tunc.

(ii) Idem: In the event that the Redemption Price for each Class Z preference share is increased pursuant to clause (32)(i) hereof following a redemption or purchase for cancellation or other acquisition by the Corporation of a Class Z preference share, the Corporation shall pay to the holders of Class Z preference shares whose shares were redeemed or purchased for cancellation or otherwise acquired by the



Corporation, by way of an increase in the Redemption Amount of such Class Z preference shares, an amount equal to the aggregate of the increase determined pursuant to clause (32)(i) hereof plus (a) any additional amount owing as dividends on account of prior dividends based on the Redemption Price and (b) a percentage of such increase, which percentage is equal to the Prime Rate, compounded annually, computed from the date of the redemption or purchase for cancellation or other acquisition by the Corporation up to and including the date of such payment by the Corporation and for purposes of clauses (30)(i) and (31)(ii) hereof the holder of such Class Z preference shares shall be deemed to have received payment of the Redemption Amount on the Redemption Date.

(iii) Idem: In the event that the Redemption Price for each Class Z preference share is decreased pursuant to clause (32)(i) hereof following a redemption or purchase for cancellation or other acquisition by the Corporation of a Class Z preference share, each person whose Class Z preference share was redeemed or purchased for cancellation or otherwise acquired by the Corporation shall be liable to pay to the Corporation, by way of a reduction of the Redemption Price of such Class Z preference shares, an amount equal to the aggregate of the decrease determined pursuant to clause (32) (i) hereof plus (a) any additional amount previously paid as an excess dividend based on the Redemption Price and (b) a percentage of such decrease, which percentage is equal to the Prime Rate, compounded annually, computed from the date of the redemption or purchase for cancellation or other acquisition by the Corporation up to and including the date of such payment by each such person.

(iv) Idem: Where such an increase occurs pursuant to clauses (32)(i) and (ii) after Class Z preference shares have been redeemed, purchased for cancellation or otherwise acquired by the Corporation, the rights of the former holder shall, notwithstanding any other provisions hereof, be limited to those of a creditor of the Corporation.

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- (33) Voting Rights: The holders of Class Z preference shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting.
- (34) Waiver: The Corporation or the holder of any Class Z preference share may waive, in writing, any of the requirements herein in its favour, including requirements with respect to the giving of notice of redemption.

### COMMON SHARES

- (35) Payment of Dividends: Subject to the prior rights of the holders of special shares, Class A preference shares, Class X preference shares, Class Y preference shares and Class Z preference shares, the holders of the common shares shall be entitled to receive such dividends (if any) as the board of directors may in its discretion declare. Notwithstanding any other provisions hereof, no dividends shall be paid on the common shares if the payment of such dividends would prevent the Corporation from redeeming all of its issued special shares, Class A preference shares, Class X preference shares, Class Y preference shares and Class Z preference shares outstanding at any time at their aggregate Redemption Amount.
- (36) Participation upon Liquidation, Dissolution or Winding-Up: The event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the common shares shall, subject to the rights of the holders of special shares, Class A preference shares, Class X preference shares, Class Y preference shares and Class Z preference shares, be entitled to participate rateably in any distribution of the assets of the Corporation.

Voting Rights: The holders of the common shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and to one vote in respect of each common share held at all such meetings.

- 9 The issue, transfer or ownership of shares is/is not restricted and the restrictions (if any) are as follows: *L'émission, le transfert ou la propriété d'actions est/est pas restreint. Les restrictions, s'il y a lieu, sont les suivantes:*

No shares in the capital of the Corporation shall be transferred without either:

(a) the consent of the holders of at least fifty-one percent (51%) of the voting shares of the Corporation for the time being outstanding expressed by a resolution passed at a meeting of the shareholders or by an instrument or instruments in writing signed by the holders of at least fifty-one percent (51%) of such shares, or

(b) the consent of the directors of the Corporation expressed by a resolution passed at a meeting of the board of directors or by an instrument or instruments in writing signed by a majority of the directors.

10. Other provisions, (if any): *Autres dispositions, s'il y a lieu.*

Without in any way restricting the powers conferred upon the Corporation or its board of directors by the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, the board of directors may from time to time, without authorization of the shareholders, in such amounts and on such terms as it deems expedient:

(a) borrow money upon the credit of the Corporation;

(b) issue, re-issue, sell or pledge debt obligations of the Corporation;

(c) subject to the provisions of the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and

(d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation owned or subsequently acquired, to secure any obligation of the Corporation.

The board of directors may from time to time delegate to a director, a committee of directors or an officer of the Corporation any or all of the powers conferred on the board as set out above, to such extent and in such manner as the board shall determine at the time of such delegation.

The number of shareholders of the Corporation, exclusive of persons who are in its employment and exclusive of persons who, having been formerly in the employment of the Corporation, were, while in that employment, and have continued after the termination of that employment, to be shareholders of the Corporation, is limited to not more than fifty (50), two (2) or more persons who are the joint registered owners of one (1) or more shares being counted as one (1) shareholder.

Any invitation to the public to subscribe for securities of the Corporation is prohibited.

- 11 The statements required by subsection 178(2) of the *Business Corporations Act* are attached as Schedule "A". *Les déclarations exigées aux termes du paragraphe 178(2) de la Loi sur les sociétés par actions constituent l'annexe "A".*
- 12 A copy of the amalgamation agreement or directors resolutions (as the case may be) is/are attached as Schedule "B". *Une copie de la convention de fusion ou les résolutions des administrateurs (selon le cas) constitue(nt) l'annexe "B".*

These articles are signed in duplicate.

Les présents statuts sont signés en double exemplaire.

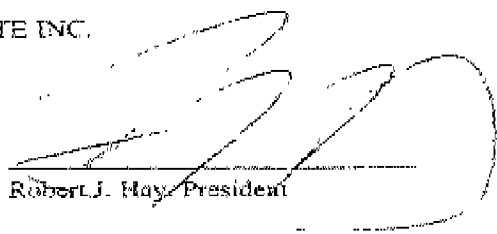
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Names of the amalgamating corporations and signatures and descriptions of office of their proper officers.	Dénomination sociale des sociétés qui fusionnent, signature et fonction de leurs dirigeants régulièrement désignés.
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SPINRITE INC.

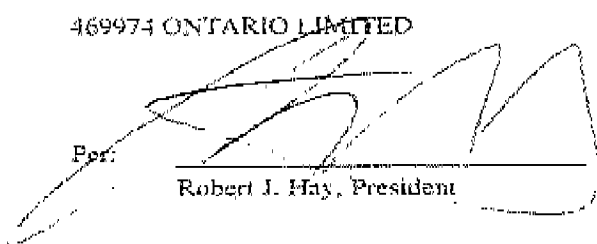
469974 ONTARIO LIMITED

Per:



Robert J. Hay, President

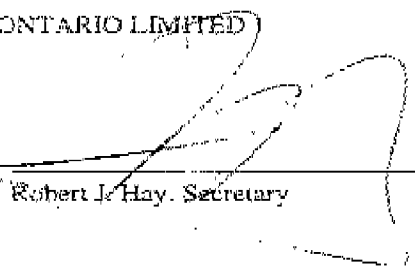
Per:



Robert J. Hay, President

825643 ONTARIO LIMITED

Per:



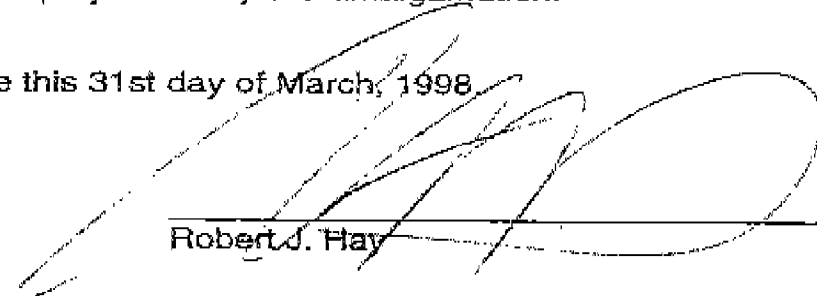
Robert J. Hay, Secretary

**SCHEDULE "A"****STATEMENT OF DIRECTOR OR OFFICER PURSUANT TO  
SUBSECTION 178(2) OF THE BUSINESS CORPORATIONS ACT**

I, Robert J. Hay, of the Town of Listowel in the County of Perth, Province of Ontario, hereby certify and state as follows:

1. This Statement is made pursuant to subsection 178(2) of the Business Corporations Act (the "Act").
2. I am a director of each of Spinrite Inc., 825643 Ontario Limited and 469974 Ontario Limited and as such have personal knowledge of their affairs.
3. I have conducted such examinations of the books and records of each of Spinrite Inc., 825643 Ontario Limited and 469974 Ontario Limited (the "Amalgamating Corporations") as are necessary to enable me to make the statements hereinafter set forth.
4. There are reasonable grounds for believing that:
  - (a) each of the Amalgamating Corporations is and the amalgamated corporation will be able to pay its liabilities as they become due;
  - (b) the realizable value of the assets of the amalgamated corporation will not be less than the aggregate of its liabilities and the stated capital of all classes; and
  - (c) no creditor will be prejudiced by the amalgamation.

This Statement is made this 31st day of March, 1998



Robert J. Hay

SCHEDULE "B"

THIS AMALGAMATION AGREEMENT made as of the 31st day of March, 1998.

AMONG:

**SPINRITE INC.**, a corporation  
incorporated under the laws of the Province  
of Ontario,

(hereinafter called "Spinrite")

OF THE FIRST PART;

- and -

**825643 ONTARIO LIMITED**, a  
corporation incorporated under the laws of  
the Province of Ontario,

(hereinafter called "825643")

OF THE SECOND PART;

- and -

**469974 ONTARIO LIMITED**, a  
corporation incorporated under the laws of  
the Province of Ontario,

(hereinafter called "469974")

OF THE THIRD PART.

WHEREAS Spinrite was amalgamated under the laws of the Province of Ontario pursuant to the Act by Certificate of Amalgamation dated April 1, 1994 and is governed by the Act;

AND WHEREAS 825643 was incorporated under the laws of the Province of Ontario pursuant to the Business Corporations Act, 1982, by Certificate of Incorporation dated March 10, 1989 and is governed by the Act;

AND WHEREAS 469974 was incorporated under the laws of the Province of Ontario pursuant to the Business Corporations Act, by Certificate of Incorporation dated February 11, 1981 and is governed by the Act;

AND WHEREAS the parties have each made full and complete disclosure to one another of all their respective known assets and liabilities;

AND WHEREAS the authorized capital of Spinrite consists of:

- (a) 200,000 special shares of which 200,000 are issued and outstanding as fully paid and non-assessable; and
- (b) 8,003 Class A preference shares of which 8,003 are issued and outstanding as fully paid and non-assessable; and
- (c) 53,500 Class X preference shares of which 53,500 are issued and outstanding as fully paid and non-assessable; and
- (d) 53,500 Class Y preference shares of which 34,968 are issued and outstanding as fully paid and non-assessable; and
- (e) 53,500 Class Z preference shares of which 18,532 are issued and outstanding as fully paid and non-assessable; and
- (f) an unlimited number of common shares of which 202,404 are issued and outstanding as fully paid and non-assessable;

AND WHEREAS the authorized capital of 825643 consists of:

- (a) an unlimited number of common shares of which 1,000 are issued and outstanding as fully paid and non-assessable; and
- (b) an unlimited number of preference shares of which none are issued and outstanding as fully paid and non-assessable;

AND WHEREAS the authorized capital of 469974 consists of:

- (a) 100,000 common shares of which 2 are issued and outstanding as fully paid and non-assessable; and
- (b) 200,000 preference shares of which none are issued and outstanding as fully paid and non-assessable;

AND WHEREAS under the authority conferred by the Act, each of Spinrite, 825643 and 469974 desire and have agreed to amalgamate as one corporation upon the terms and conditions hereinafter set out;



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NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants herein contained, the receipt and sufficiency of which is hereby acknowledged, the parties hereto covenant and agree as follows:

#### ARTICLE 1 - DEFINITIONS

1.1 In this Agreement:

- (a) "Act" means the Business Corporations Act, (Ontario);
- (b) "Amalgamated Corporation" means the corporation continuing from the amalgamation of the Amalgamating Corporations;
- (c) "Amalgamating Corporations" means Spinrite, 825643 and 469974;
- (d) "Amalgamation" means the amalgamation of the Amalgamating Corporations as herein provided;
- (e) "Certificate" means the Certificate of Amalgamation issued by the Director under the Act.

#### ARTICLE 2 - RECITALS

2.1 The parties hereto confirm the truth and accuracy of the foregoing recitals and agree that such recitals are incorporated into this Agreement.

#### ARTICLE 3 - AMALGAMATION

3.1 Each of the Amalgamating Corporations hereby agrees to amalgamate, under the provisions of section 174 of the Act and to continue as one corporation under the terms and conditions hereinafter set out with effect as of 11:59 p.m. on March 31, 1998.

3.2 Upon the issue of a Certificate giving effect to the Amalgamation:

- (a) the Amalgamating Corporations shall be amalgamated and shall continue as one corporation effective on the date of the Certificate under the terms and conditions prescribed in this Agreement;
- (b) the Amalgamated Corporation shall possess all the property, rights, privileges and franchises and be subject to all the liabilities, including civil, criminal and quasi-criminal, and all the contracts, disabilities and debts of each of the Amalgamating Corporations;
- (c) a conviction against, or ruling, order or judgment in favour of or against an Amalgamating Corporation may be enforced by or against the Amalgamated Corporation;
- (d) the Articles of Amalgamation of the Amalgamated Corporation shall be deemed to be the articles of incorporation of the

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Amalgamated Corporation and the Certificate, except for purposes of subsection 117(1) of the Act, shall be deemed to be the certificate of incorporation of the Amalgamated Corporation;

- (e) the Amalgamated Corporation shall be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against an Amalgamating Corporation before the Amalgamation has become effective.

3.3 All rights of creditors against the property, rights and assets of the Amalgamating Corporations and all liens upon their property, rights and assets shall be unimpaired by such amalgamation and all debts, contracts, liabilities and duties of the Amalgamating Corporations shall attach to the Amalgamated Corporation and may be enforced against it.

3.4 No action or proceeding by or against any of the Amalgamating Corporations shall abate or be affected by the Amalgamation.

#### ARTICLE 4 - NAME

4.1 The name of the Amalgamated Corporation shall be "Spinrite Inc."

#### ARTICLE 5 - REGISTERED OFFICE

5.1 The registered office of the Amalgamated Corporation shall be in the Town of Listowel, in the County of Perth, in the Province of Ontario.

5.2 The address of the first registered office of the Amalgamated Corporation shall be:

320 Livingstone Avenue South  
Listowel, Ontario  
N4W 3H3

#### ARTICLE 6 - RESTRICTIONS ON BUSINESS

6.1 There shall be no restrictions on the business the Amalgamated Corporation may carry on or on the powers the Amalgamated Corporation may exercise.

#### ARTICLE 7 - BY-LAWS

7.1 The by-laws of the Amalgamated Corporation shall be the by-laws of Spinrite. A copy of the proposed by-laws of the Amalgamated Corporation may be examined at the following address:

Suite 2100  
40 King Street West  
Toronto, Ontario

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M5H 3C2

**ARTICLE 8 - DIRECTORS**

8.1 The board of directors of the Amalgamated Corporation shall consist of a minimum of one director and a maximum of ten directors, until changed in accordance with the Act. Until changed by special resolution of the shareholders of the Amalgamated Corporation, or if the directors of the Amalgamated Corporation are so authorized by special resolution of the shareholders of the Amalgamated Corporation, by resolution of the said directors, the board of directors of the Amalgamated Corporation shall consist of two (2) directors, and the first directors of the Amalgamated Corporation shall be the following:

<u>Name</u>	<u>Address</u>	<u>Resident Canadian</u>
Robert J. Hay	10 Jackson Crescent Listowel, Ontario N4W 1K3	Yes
Douglas D. Hay	250 Campbell Street Listowel, Ontario N4W 1J1	Yes

8.2 The said first directors shall hold office until the first annual meeting of the shareholders of the Amalgamated Corporation, or until their successors are elected or appointed in accordance with the by-laws of the Amalgamated Corporation and the Act. The subsequent directors shall be elected each year thereafter by ordinary resolution at either an annual meeting of the shareholders or a special meeting of the shareholders by a majority of the votes cast at such meeting. The directors shall manage or supervise the management of the business and affairs of the Amalgamated Corporation, subject to the provisions of the Act.

**ARTICLE 9 - AUTHORIZED CAPITAL**

9.1 The Amalgamated Corporation (the Amalgamated Corporation hereinafter referred to in this Article 9 as the "Corporation") is authorized to issue 200,000 special shares, 8,003 Class A preference shares, 53,500 Class X preference shares, 53,500 Class Y preference shares, 53,500 Class Z preference shares and an unlimited number of common shares.

9.2 The rights, privileges, restrictions and conditions attached to the special shares, Class A preference shares, Class X preference shares, Class Y preference shares, Class Z preference shares and common shares shall be as follows:

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SPECIAL SHARES

- (1) The holders of the special shares shall be entitled to receive and the Corporation shall pay thereon as and when declared by the board of directors of the Corporation out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential dividends at the rate of \$0.08 per share (or such lesser amount as may be determined from time to time by the board of directors of the Corporation) per annum payable semi-annually on the 30th day of June and the 31st day of December in each year. If on any dividend payment date the dividend payable on such date is not paid in full on all of the special shares then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors on which the Corporation shall have sufficient moneys properly applicable to the payment thereof. The holders of the special shares shall not be entitled to any dividends other than or in excess of the fixed cumulative preferential dividends as hereinbefore provided for. Cheques of the Corporation payable at par at any branch in Canada of the Corporation's bankers for the time being shall be issued in respect of such dividends and payment thereof shall satisfy such dividends.
- (2) No dividends shall at any time be declared or paid on or set apart for payment on the common shares or on any shares of any other class of the Corporation ranking junior to the special shares of the Corporation nor shall the Corporation call for redemption any of the special shares outstanding unless all fixed cumulative preferential dividends up to and including the dividend payable for the last completed semi-annual period on the special shares then issued and outstanding shall have been declared and paid.
- (3) In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the special shares shall be entitled to receive out of the assets and property of the Corporation, before any amount is paid or any property or assets of the Corporation is distributed to the holders of any common shares or shares of any other class ranking junior to the special shares an amount equal to the redemption price referred to in clause (5) hereof. After payment to the holders of the special shares of the amounts so payable to them as above provided they shall not be entitled to share in any further distribution of the property and assets of the Corporation.
- (4) Subject to the provisions of clause (2) hereof, the Corporation may at any time or times purchase (if obtainable) for cancellation all or any part of the special shares outstanding from time to time by invitation for tenders addressed to all the holders of record of the special shares outstanding or (with the consent of all the holders of the special shares) by private contract at the lowest price or prices at which in the opinion of the board

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of directors such shares are obtainable but not exceeding an amount equal to the redemption price referred to in clause (5) hereof plus costs of purchase. Where, in response to any invitation for tenders, two or more shareholders submit tenders at the same price and such tenders are accepted by the Corporation as to part only of the shares offered, the Corporation shall accept part of the shares offered in each such tender in proportion as nearly as may be to the total number of shares offered in each such tender.

- (5) Subject to the provisions of clause (2) hereof, the Corporation may upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of the then outstanding special shares on payment for each share to be redeemed of the amount of \$1.00 per share together with an amount equal to all cumulative preferential dividends, if any, accrued thereon up to the date fixed for redemption and then remaining unpaid (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day for the period from the expiration of the last period for which dividends have been paid up to and including the date of redemption, but subject to the directors' right to make the determination that lesser amounts shall be paid, as set out in clause (1)) the whole constituting and being hereinafter referred to as the "redemption price".
- (6) In the case of redemption of special shares under the provisions of clause (5) hereof, the Corporation shall at least ten days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of special shares to be redeemed a notice in writing of the intention of the Corporation to redeem such special shares. Such notice shall be mailed in a prepaid letter addressed to each such shareholder at his address as it appears on the books of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder, provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the shares held by the persons to whom such notice is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption the Corporation shall pay or cause to be paid to or to the order of the registered holders of the special shares to be redeemed the redemption price on presentation and surrender at the head office of the Corporation or any other place designated in such notice of the certificates representing the special shares called for redemption and such special shares shall thereupon be redeemed. If a part only of the special shares represented by any certificate is redeemed, a new certificate for the balance shall be issued at the expense of the Corporation. From and after the date specified in any such notice, the special shares called for redemption shall cease to be entitled to dividends and the holders thereof shall be entitled to exercise any of the rights of shareholders in

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respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem any special shares as aforesaid to deposit the redemption price of the special shares so called for redemption or of such of the said shares as are represented by certificates which have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of such special shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the special shares in respect of which such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively.

A holder of special shares shall be entitled to require the Corporation to redeem at any time or times all or any part of the special shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its head office a share certificate representing the special shares which the registered holder desires to have the Corporation redeem together with a request in writing specifying:

- (i) that the registered holder desires to have the special shares represented by such certificate redeemed by the Corporation, and
- (ii) the business day (in this paragraph referred to as the "redemption date") on which the holder desires to have the Corporation redeem such special shares.

Requests in writing shall specify a redemption date which shall be not less than ninety (90) days after the day on which the request in writing is given to the Corporation. Upon receipt of a share certificate representing the special shares which the registered holder desires to have the Corporation redeem together with such a request, the Corporation shall on the redemption date redeem such special shares by paying to such registered holder an amount equal to the redemption price referred to in clause (5) hereof. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada. The said special shares shall be redeemed on the redemption date and from and after the redemption date such shares shall cease to be entitled to dividends and the holders thereof shall not be entitled to

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exercise any of the rights of holders of special shares in respect thereof unless payment of the redemption price is not made on the redemption date, in which event the rights of the holders of the said shares shall remain unaffected.

- (8) The holders of the special shares shall not be entitled as such (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting. The holders of the special shares shall, however, be entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution of the Corporation or the sale of its undertaking or a substantial part thereof.

#### CLASS A PREFERENCE SHARES

- (9) Payment of Dividends: After payment to the holders of the special shares, the holders of the Class A preference shares, in priority to the Class X preference shares, the Class Y preference shares, the Class Z preference shares and the common shares or shares of any other class ranking junior to the Class A preference shares, shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends, preferential non-cumulative dividends on each Class A preference share at such rate per annum as may be determined from time to time by the board of directors, if within 6 months after the end of any fiscal year the board of directors in its discretion shall not have declared a preferential non-cumulative cash dividend on the Class A preference shares for such fiscal year, then the rights of the holders of the Class A preference shares to such dividend, for such fiscal year, shall be forever extinguished.
- (10) The Class A preference shares or any part thereof may be redeemed at the option of the Corporation or of the holder or holders thereof for the sum of \$81.219542 (the "Redemption Amount") per share, provided that if Revenue Canada, Taxation (the "Department") determines that the fair market value of any property sold or transferred to, or exchanged with any predecessor to the Corporation for the Class A preference shares was greater or less than the Redemption Amount of the Class A preference shares issued therefor by the Corporation at the time of the sale or transfer to, or exchange with, the Corporation, the Redemption Amount shall be adjusted so that the total of the Redemption Amounts payable by the Corporation on redemption of all such Class A preference shares shall be equal to the fair market value as ultimately determined of the said property sold, transferred to, or exchanged with the Corporation as aforesaid. Such adjustment to the Redemption Amount shall be effective retroactively to the date of the first issuance of the shares converted into such Class A preference shares on the Amalgamation.

The adjustment to the Redemption Amount shall be:

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- (i) such amount as may be agreed by the Department, the Corporation and the holder or holders of the Class A preference shares, to have been the fair market value at the time of the sale or transfer to, or exchange with, the Corporation of the property sold, transferred or exchanged for the shares converted into such Class A preference shares on the Amalgamation; or
  - (ii) in the absence of such agreement, such amount as shall be determined in an action or other proceedings to which the Department, the Corporation and the holder or holders of the Class A preference shares are parties by a Court of competent jurisdiction (after all appeal rights have expired without appeals having been taken) to have been the fair market value at the time of the sale or transfer to, or exchange with, the Corporation of the property sold, transferred or exchanged for the shares converted into such Class A preference shares on the Amalgamation.
- (11) So long as any Class A preference shares are outstanding, the Corporation shall not without the prior written approval of the holders thereof:
- (i) redeem, purchase or otherwise make any payment or distribution to the holder of any of its shares (other than Class A preference shares), other than by way of dividend; or
  - (ii) declare or pay any dividend on any of its shares (other than Class A preference shares), if immediately after giving effect to such action, the Retained Earnings (as hereinafter defined) would be reduced to an amount less than the total of the Redemption Amounts of all the Class A preference shares then outstanding. For the purposes of this subsection "Retained Earnings" means the realizable value of the assets of the Corporation net of all its liabilities and paid up capital.
- (12) The holders of the Class A preference shares shall not be entitled to vote at any meetings of the shareholders of the Corporation but shall be entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Corporation or the sale of its undertaking or a substantial part thereof.

#### CLASS X PREFERENCE SHARES

- (13) Payment of Dividends: After payment to the holders of the special shares and the Class A preference shares, the holders of the Class X preference shares, in priority to the Class Y preference shares, the Class Z preference shares and the common shares or shares of any other class ranking junior to the Class X preference shares, shall be entitled to receive and the Corporation shall pay thereon, as and when declared by



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the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends, preferential non-cumulative dividends on each Class X preference share at such rate per annum as may be determined from time to time by the board of directors, if within 6 months after the end of any fiscal year the board of directors in its discretion shall not have declared a preferential non-cumulative cash dividend on the Class X preference shares for such fiscal year, then the rights of the holders of the Class X preference shares to such dividend, for such fiscal year, shall be forever extinguished.

- (14) Participation upon Liquidation, Dissolution or Winding-Up: In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets or property of the Corporation among its shareholders for the purpose of winding-up its affairs, and after payment to the holders of the special shares and the Class A preference shares, the holders of the Class X preference shares shall be entitled to receive from the assets and property of the Corporation for each Class X preference share held by them an amount equal to the Redemption Price (as defined in clause (15)(iii)) plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount", before any amount shall be paid or any property or assets of the Corporation distributed to the holders of any Class Y preference shares, Class Z preference shares; common shares or shares of any other class ranking junior to the Class X preference shares. After payment to the holders of the Class X preference shares of the amount so payable to them as above provided they shall not be entitled to share in any further distribution of the assets or property of the Corporation, but subject always to clauses (17)(ii), (iii) and (iv) hereof.
- (15) (i) Redemption at Option of Holder: A holder of Class X preference shares shall be entitled to require the Corporation to redeem, subject to the requirement of the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, at any time or times all or any of the Class X preference shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its registered office a share certificate or certificates representing the Class X preference shares which the registered holder desires to have the Corporation redeem together with a request in writing specifying (i) that the registered holder desires to have the said Class X preference shares represented by such certificate or certificates redeemed by the Corporation and (ii) the business day (herein referred to as the "Redemption Date") on which the holder desires to have the Corporation redeem such Class X preference shares. The Redemption Date shall be not less than 30 days after the day on which the request in writing is given to the Corporation. Upon receipt of a share certificate or certificates representing the Class X preference shares which the registered holder desires to have the Corporation redeem together with such a request the

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Corporation shall on the Redemption Date redeem such Class X preference shares by paying to such registered holder an amount for each share to be redeemed equal to the Redemption Price (as defined in clause (15)(iii)), plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount". Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada or in such other manner as the holder may consent to in writing. The said Class X preference shares shall be redeemed on the Redemption Date and from and after the Redemption Date such shares shall cease to be entitled to dividends and the holder thereof shall not be entitled to exercise any of the rights of holders of Class X preference shares in respect thereof unless payment of the Redemption Amount is not made on the Redemption Date, in which event the rights of the holder of the said Class X preference shares shall remain unaffected, but subject always to clauses (17) (ii), (iii) and (iv) hereof.

- (ii) Idem: If a holder of Class X preference shares shall have required the Corporation pursuant to the provisions of clause (15)(i) hereof to redeem all or any of the Class X preference shares registered in the name of such holder and the Corporation cannot redeem the said Class X preference shares on the Redemption Date without thereby contravening the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, the Corporation shall redeem the said Class X preference shares as soon as it is lawfully able to do so and until the said Class X preference shares are so redeemed the rights of the holder thereof shall remain unaffected, provided that the said holder may at any time by notice in writing tendered to the Corporation at its registered office withdraw the request that the said Class X preference shares be redeemed, in which event the Corporation shall return to the said holder the share certificate or certificates representing the said Class X preference shares which had been tendered to the Corporation.
- (iii) Idem: The "Redemption Price" for each Class X preference share shall be the amount of \$44.00 per share, which the board of directors of Spinrite Yarns and Dyers Limited, a predecessor to the Corporation ("Spinrite") have determined is the quotient obtained when an amount equal to the aggregate fair market value of the 53,500 Class X preference shares of Spinrite is divided by 53,500.
- (iv) Idem: The Redemption Price for the Class X preference shares established in the foregoing manner shall be the Redemption Price applicable to all Class X preference shares.
- (i) Redemption by Corporation: The Corporation may, upon giving notice as hereinafter provided, redeem at any time the whole or

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from time to time any part of the then outstanding Class X preference shares on payment of an amount for each share to be redeemed equal to the Redemption Price, plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount".

Idem: In the case of redemption of Class X preference shares under the provisions of clause (16)(i) hereof, the Corporation shall at least 21 days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Class X preference shares to be redeemed a notice in writing of the intention of the Corporation to redeem such Class X preference shares. Such notice shall be mailed by letter, postage prepaid, addressed to each such shareholder at his address as it appears on the records of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one or more of such shareholders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount and the date on which redemption is to take place and if part only of the shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the registered holders of the Class X preference shares to be redeemed the Redemption Amount thereof on presentation and surrender at the registered office of the Corporation or any other place designated in such notice of the certificates representing the Class X preference shares called for redemption. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers in Canada or in such other manner as the holder may consent to in writing. If a part only of the shares represented by any certificate be redeemed a new certificate for the balance shall be issued at the expense of the Corporation. From and after the date specified for redemption in any such notice (the "Redemption Date") the Class X preference shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the Redemption Amount shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of such shareholders shall remain unaffected, but subject always to clauses (17)(ii), (iii) and (iv) hereof. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem any Class X preference shares to deposit the Redemption Amount for the shares so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such

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redemption to a special account in any chartered bank or in any trust company in Canada, named in such notice, to be paid without interest to or to the order of the respective holders of such Class X preference shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Class X preference shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total Redemption Amount so deposited against presentation and surrender of the said certificates held by them respectively and any interest allowed on such deposit shall belong to the Corporation.

Idem: If any taxing authority having jurisdiction alleges that the Redemption Price for each Class X preference share is not a pro rata portion of the aggregate fair market value of the said 53,500 Class X preference shares of Spinrite, immediately prior to the Articles of Amalgamation giving effect hereto becoming effective, as determined by the board of directors or proposes to make an assessment or reassessment of tax on the basis that any gift, benefit or advantage is or has been conferred on any person by reason of the redemption or purchase for cancellation or other acquisition by the Corporation of any Class X preference share, the board of directors of the Corporation, after consultation with such taxing authority, may adjust the Redemption Price per Class X preference share to such other amount as may be determined by the board of directors of the Corporation after such consultation and thereafter the Redemption Price per Class X preference share shall mean the quotient obtained when an amount equal to the aggregate fair market value of the said 53,500 Class X preference shares of Spinrite, as determined by the board of directors of the Corporation after consultation with the said taxing authority, is divided by 53,500, nunc pro tunc.

Idem: In the event that the Redemption Price for each Class X preference share is increased pursuant to clause (17)(i) hereof following a redemption or purchase for cancellation or other acquisition by the Corporation of a Class X preference share, the Corporation shall pay to the holders of Class X preference shares whose shares were redeemed or purchased for cancellation or otherwise acquired by the Corporation, by way of an increase in the Redemption Amount of such Class X preference shares, an amount equal to the aggregate of the increase determined pursuant to clause (17)(i) hereof plus (a) any additional amount owing at dividends on account of prior dividends based on the Redemption Price and (b) a percentage of such increase, which

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percentage is equal to the average prime rate charged by the principal chartered bank with which the Corporation conducts its banking business on prime business loans, compounded annually (the "Prime Rate"), computed from the date of the redemption or purchase for cancellation or other acquisition by the Corporation up to and including the date of such payment by the Corporation and for purposes of clauses (15)(i) and (16)(ii) hereof the holder of such Class X preference shares shall be deemed to have received payment of the Redemption Amount on the Redemption date.

- (iii) Idem: In the event that the Redemption Price for each Class X preference share is decreased pursuant to clause (17)(i) hereof following a redemption or purchase for cancellation or other acquisition by the Corporation of a Class X preference share, each person whose Class X preference share was redeemed or purchased for cancellation or otherwise acquired by the Corporation shall be liable to pay to the Corporation, by way of a reduction of the Redemption Price of such Class X preference shares, an amount equal to the aggregate of the decrease determined pursuant to clause (17)(i) hereof plus (a) any additional amount previously paid as an excess dividend based on the Redemption Price and (b) a percentage of such decrease, which percentage is equal to the Prime Rate, compounded annually, computed from the date of the redemption or purchase for cancellation or other acquisition by the Corporation up to and including the date of such payment by each such person.
- (iv) Idem: Where such an increase occurs pursuant to clauses (17)(i) and (ii) after Class X preference shares have been redeemed, purchased for cancellation or otherwise acquired by the Corporation, the rights of the former holder shall, notwithstanding any other provisions hereof, be limited to those of a creditor of the Corporation.

- (18) Voting Rights: The holders of Class X preference shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting.
- (19) Waiver: The Corporation or the holder of any Class X preference share may waive, in writing, any of the requirements herein in its favour, including requirements with respect to the giving of notice of redemption.

#### CLASS Y PREFERENCE SHARES

- (20) Payment of Dividends: After payment of dividends to the holders of the special shares, the Class A preference shares and the Class X preference shares, the holders of the Class Y preference shares, shall be entitled to receive and the Corporation shall pay thereon, as and when

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declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends, such dividends (if any) at such rate per annum as may be determined from time to time by the board of directors.

- (21) Liquidation, Dissolution or Winding-Up: In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets or property of the Corporation among its shareholders for the purpose of winding-up its affairs, and after payment to the holders of the special shares, the Class A preference shares and the holders of the Class X preference shares, the holders of the Class Y preference shares shall be entitled to receive from the assets and property of the Corporation for each Class Y preference share held by them an amount equal to the Redemption Price (as defined in clause (22)(iii)) plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount", before any amount shall be paid or any property or assets of the Corporation distributed to the holders of any Class Z preference shares, common shares or shares of any other class ranking junior to the Class Y preference shares. After payment to the holders of the Class Y preference shares of the amount so payable to them as above provided they shall not be entitled to share in any further distribution of the assets or property of the Corporation, but subject always to clauses (24)(ii), (iii) and (iv) hereof.
- (22) (i) Redemption at Option of Holder: A holder of Class Y preference shares shall be entitled to require the Corporation to redeem, subject to the requirements of the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, at any time or times all or any of the Class Y preference shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its registered office a share certificate or certificates representing the Class Y preference shares which the registered holder desires to have the Corporation redeem together with a request in writing specifying (i) that the registered holder desires to have the said Class Y preference shares represented by such certificate or certificates redeemed by the Corporation and (ii) the business day (herein referred to as the "Redemption Date") on which the holder desires to have the Corporation redeem such Class Y preference shares. The Redemption Date shall be not less than 30 days after the day on which the request in writing is given to the Corporation. Upon receipt of a share certificate or certificates representing the Class Y preference shares which the registered holder desires to have the Corporation redeem together with such a request the Corporation shall on the Redemption Date redeem such Class Y preference shares by paying to such registered holder an amount for each share to be redeemed equal to the Redemption Price (as defined in clause (23)(iii)), plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the

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"Redemption Amount". Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada or in such other manner as the holder may consent to in writing. The said Class Y preference shares shall be redeemed on the Redemption Date and from and after the Redemption Date such shares shall cease to be entitled to dividends and the holder thereof shall not be entitled to exercise any of the rights of holders of Class Y preference shares in respect thereof unless payment of the Redemption Amount is not made on the Redemption Date, in which event the rights of the holder of the said Class Y preference shares shall remain unaffected, but subject always to clauses (24) (ii), (iii) and (iv) hereof.

(ii) Idem: If a holder of Class Y preference shares shall have required the Corporation pursuant to the provisions of clause (22)(i) hereof to redeem all or any of the Class Y preference shares registered in the name of such holder and the Corporation cannot redeem the said Class Y preference shares on the Redemption Date without thereby contravening the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, the Corporation shall redeem the said Class Y preference shares as soon as it is lawfully able to do so and until the said Class Y preference shares are so redeemed the rights of the holder thereof shall remain unaffected, provided that the said holder may at any time by notice in writing tendered to the Corporation at its registered office withdraw the request that the said Class Y preference shares be redeemed, in which event the Corporation shall return to the said holder the share certificate or certificates representing the said Class Y preference shares which had been tendered to the Corporation.

(iii) Idem: The "Redemption Price" for each Class Y preference share shall be the amount of \$220.46 per share, which the directors of Spinrite have has determined is the quotient obtained when an amount equal to the aggregate fair market value of the 34,968 Class Y preference shares of Spinrite is divided by 34,968.

(iv) Idem: The Redemption Price for the Class Y preference shares established in the foregoing manner shall be the Redemption Price applicable to all Class Y preference shares.

(23) (i) Redemption by Corporation: The Corporation may, upon giving notice as hereinafter provided, redeem at any time the whole or from time to time any part of the then outstanding Class Y preference shares on payment of an amount for each share to be redeemed equal to the Redemption Price, plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount".

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Idem: In the case of redemption of Class Y preference shares under the provisions of clause (23)(i) hereof, the Corporation shall at least 21 days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Class Y preference shares to be redeemed a notice in writing of the intention of the Corporation to redeem such Class Y preference shares. Such notice shall be mailed by letter, postage prepaid, addressed to each such shareholder at his address as it appears on the records of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one or more of such shareholders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount and the date on which redemption is to take place and if part only of the shares held by the person to whom it is addressed is to be redeemed the number of thereof so to be redeemed. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the registered holders of the Class Y preference shares to be redeemed the Redemption Amount thereof on presentation and surrender at the registered office of the Corporation or any other place designated in such notice of the certificates representing the Class Y preference shares called for redemption. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers in Canada or in such other manner as the holder may consent to in writing. If a part only of the shares represented by any certificate be redeemed a new certificate for the balance shall be issued at the expense of the Corporation. From and after the date specified for redemption in any such notice (the "Redemption Date") the Class Y preference shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the Redemption Amount shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of such shareholders shall remain unaffected, but subject always to clauses (24)(ii), (iii) and (iv) hereof. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem any Class Y preference shares to deposit the Redemption Amount for the shares so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or in any trust company in Canada, named in such notice, to be paid without interest to or to the order of the respective holders of such Class Y preference shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same, and upon such deposit being made or



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upon the date specified for redemption in such notice, whichever is the later, the Class Y preference shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total Redemption Amount so deposited against presentation and surrender of the said certificates held by them respectively and any interest allowed on such deposit shall belong to the Corporation.

Idem: If any taxing authority having jurisdiction alleges that the Redemption Price for each Class Y preference share is not a pro rata portion of the aggregate fair market value of the said 34,968 Class Y preference shares of Spinrite, immediately prior to the Articles of Amalgamation giving effect hereto becoming effective, as determined by the board of directors or proposes to make an assessment or reassessment of tax on the basis that any gift, benefit or advantage is or has been conferred on any person by reason of the redemption or purchase for cancellation or other acquisition by the Corporation of any Class Y preference share, the board of directors of the Corporation, after consultation with such taxing authority, may adjust the Redemption Price per Class Y preference share to such other amount as may be determined by the board of directors of the Corporation after such consultation and thereafter the Redemption Price per Class Y preference share shall mean the quotient obtained when an amount equal to the aggregate fair market value of the said 34,968 Class Y preference shares of Spinrite, as determined by the board of directors of the Corporation after consultation with the said taxing authority, is divided by 34,968, nunc pro tunc.

Idem: In the event that the Redemption Price for each Class Y preference share is increased pursuant to clause (24)(i) hereof following redemption or purchase for cancellation or other acquisition by the Corporation of a Class Y preference share, the Corporation shall pay to the holders of Class Y preference shares whose shares were redeemed or purchased for cancellation or otherwise acquired by the Corporation, by way of an increase in the Redemption Amount of such Class Y preference shares an amount equal to the aggregate of the increase determined pursuant to clause (24)(i) hereof plus (a) any additional amount owing as dividends on account of prior dividends based on the Redemption Price and (b) a percentage of such increase, which percentage is equal to the Prime Rate, compounded annually, computed from the date of the redemption or purchase for cancellation or other acquisition by the Corporation up to and including the date of such payment by the Corporation and for purposes of clauses (22)(i) and (23)(ii) hereof the holder of such

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Class Y preference shares shall be deemed to have received payment of the Redemption Amount on the Redemption Date.

- (iii) Idem: In the event that the Redemption Price for each Class Y preference share is decreased pursuant to clause (24)(i) hereof following a redemption or purchase for cancellation or other acquisition by the Corporation of a Class Y preference share, each person whose Class Y preference share was redeemed or purchased for cancellation or otherwise acquired by the Corporation shall be liable to pay to the Corporation, by way of a reduction of the Redemption Price of such Class Y preference shares, an amount equal to the aggregate of the decrease determined pursuant to clause (24)(i) hereof plus (a) any additional amount previously paid as an excess dividend based on the Redemption Price and (b) a percentage of such decrease, which percentage is equal to the Prime Rate, compounded annually, computed from the date of the redemption or purchase for cancellation or other acquisition by the Corporation up to and including the date of such payment by each such person.
- (iv) Idem: Where such an increase occurs pursuant to clauses (24)(i) and (ii) after Class Y preference shares have been redeemed, purchased for cancellation or otherwise acquired by the Corporation, the rights of the former holder shall, notwithstanding any other provisions hereof, be limited to those of a creditor of the Corporation.
- (25) Voting Rights: The holders of Class Y preference shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting.
- (26) Waiver: The Corporation or the holder of any Class Y preference share may waive, in writing, any of the requirements herein in its favour, including requirements with respect to the giving of notice of redemption.

#### CLASS Z PREFERENCE SHARES

- (27) Conversion: A holder of Class Z preference shares shall be entitled at any time and from time to time to have all or any of the Class Z preference shares registered in the name of such holder on the books of the Corporation converted into Class Y preference shares as the same shall be constituted at the time of conversion upon the basis of one (1) Class Y preference share for each one (1) Class Z preference share in respect of which the conversion right is exercised. The conversion right herein provided for may be exercised by notice in writing given to the Corporation accompanied by the certificate or certificates representing the Class Z preference shares in respect of which the holder thereof desires to exercise such right of conversion and such notice shall be

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signed by the person registered on the records of the Corporation as the holder of the Class Z preference shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify the number of Class Z preference shares which the holder desires to have converted. Upon receipt of such notice the Corporation shall issue a certificate or certificates representing the Class Y preference shares upon the basis above prescribed and in accordance with the provisions hereof to the registered holder of the Class Z preference shares represented by the certificate or certificates accompanying such notice. If less than all the Class Z preference shares represented by any certificate are to be converted, the holder shall be entitled to receive a new certificate for the Class Z preference shares representing the shares comprised in the original certificate which are not to be converted.

- (28) Payment of Dividends: After payment to the holders of the special shares, the Class A preference shares, the Class X preference shares and the Class Y preference shares, the holders of the Class Z preference shares, shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends, such dividends (if any) at such rate per annum as may be determined from time to time by the board of directors.
- (29) Participation upon Liquidation, Dissolution or Winding-up: In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets or property of the Corporation among its shareholders for the purpose of winding-up its affairs, and after payment to the holders of the special shares, the Class A preference shares, the Class X preference shares and the Class Y preference shares, the holders of the Class Z preference shares shall be entitled to receive from the assets and property of the Corporation for each Class Z preference share held by them an amount equal to the Redemption Price (as defined in clause (30)(iii)) plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount", before any amount shall be paid or any property or assets of the Corporation distributed to the holders of any common shares or shares of any other class ranking junior to the Class Z preference shares. After payment to the holders of the Class Z preference shares of the amount so payable to them as above provided they shall not be entitled to share in any further distribution of the assets or property of the Corporation, but subject always to clauses (32)(ii), (iii) and (iv) hereof.
- (30) (i) Redemption at Option of Holder: A holder of Class Z preference shares shall be entitled to require the Corporation to redeem, subject to the requirement of the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, at any time or times all or any of the Class Z preference shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its

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registered office a share certificate or certificates representing the Class Z preference shares which the registered holder desires to have the Corporation redeem together with a request in writing specifying (i) that the registered holder desires to have the said Class Z preference shares represented by such certificate or certificates redeemed by the Corporation and (ii) the business day (herein referred to as the "Redemption Date") on which the holder desires to have the Corporation redeem such Class Z preference shares. The Redemption Date shall be not less than 30 days after the day on which the request in writing is given to the Corporation. Upon receipt of a share certificate or certificates representing the Class Z preference shares which the registered holder desires to have the Corporation redeem together with such a request the Corporation shall on the Redemption Date redeem such Class Z preference shares by paying to such registered holder an amount for each share to be redeemed equal to the Redemption Price (as defined in clause (30)(iii)), plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount". Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada or in such other manner as the holder may consent to in writing. The said Class Z preference shares shall be redeemed on the Redemption Date and from and after the Redemption Date such shares shall cease to be entitled to dividends and the holder thereof shall not be entitled to exercise any of the rights of holders of Class Z preference shares in respect thereof unless payment of the Redemption Amount is not made on the Redemption Date, in which event the rights of the holder of the said Class Z preference shares shall remain unaffected, but subject always to clauses (32)(ii), (iii) and (iv) hereof.

Idem: If a holder of Class Z preference shares shall have required the Corporation pursuant to the provisions of clause (30)(i) hereof to redeem all or any of the Class Z preference shares registered in the name of such holder and the Corporation cannot redeem the said Class Z preference shares on the Redemption Date without thereby contravening the Business Corporations Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, the Corporation shall redeem the said Class Z preference shares as soon as it is lawfully able to do so and until the said Class Z preference shares are so redeemed the rights of the holder thereof shall remain unaffected, provided that the said holder may at any time by notice in writing tendered to the Corporation at its registered office withdraw the request that the said Class Z preference shares be redeemed, in which event the Corporation shall return to the said holder the share certificate or certificates representing the said Class Z preference shares which had been tendered to the Corporation.

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- (iii) Idem: The "Redemption Price", for each Class Z preference share shall be the amount of \$132.00 per share, which the board of directors of the Corporation have determined is the quotient obtained when an amount equal to the aggregate fair market value of the 18,532 Class Z preference shares of Spinrite is divided by 18,532.
- (iv) Idem: The Redemption Price for the Class Z preference shares established in the foregoing manner shall be the Redemption Price applicable to all Class Z preference shares.
- (31) (i) Redemption by Corporation: The Corporation may, upon giving notice as hereinafter provided, redeem at any time the whole or from time to time any part of the then outstanding Class Z preference shares on payment of an amount for each share to be redeemed equal to the Redemption Price, plus all declared and unpaid dividends thereon, the whole constituting and being referred to herein as the "Redemption Amount".
- (ii) Idem: In the case of redemption of Class Z preference shares under the provisions of clause (31)(i) hereof, the Corporation shall at least 21 days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Class Z preference shares to be redeemed a notice in writing of the intention of the Corporation to redeem such Class Z preference shares. Such notice shall be mailed by letter, postage prepaid, addressed to each such shareholder at his address as it appears on the records of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one or more of such shareholders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount and the date on which redemption is to take place and if part only of the shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the registered holders of the Class Z preference shares to be redeemed the Redemption Amount thereof on presentation and surrender at the registered office of the Corporation or any other place designated in such notice of the certificates representing the Class Z preference shares called for redemption. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers in Canada or in such other manner as the holder may consent to in writing. If a part only of the shares represented by any certificate be redeemed a new certificate for the balance shall be issued at the expense of the Corporation. From and after the date specified for redemption in any such notice (the "Redemption Date") the Class Z preference

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shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the Redemption Amount shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of such shareholders shall remain unaffected, but subject always to clauses (32) (ii), (iii) and (iv) hereof. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem any Class Z preference shares to deposit the Redemption Amount for the shares so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or in any trust company in Canada, named in such notice, to be paid without interest to or to the order of the respective holders of such Class Z preference shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Class Z preference shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total Redemption Amount so deposited against presentation and surrender of the said certificates held by them respectively and any interest allowed on such deposit shall belong to the Corporation.

Idem: If any taxing authority having jurisdiction alleges that the Redemption Price for each Class Z preference share is not a pro rata portion of the aggregate fair market value of the said 18,532 Class Z preference shares of Spinrite, immediately prior to the Articles of Amalgamation giving effect hereto becoming effective, as determined by the board of directors or proposes to make an assessment or reassessment of tax on the basis that any gift, benefit or advantage is or has been conferred on any person by reason of the redemption or purchase for cancellation or other acquisition by the Corporation of any Class Z preference share, the board of directors of the Corporation, after consultation with such taxing authority may adjust the Redemption Price per Class Z preference share to such other amount as may be determined by the board of directors of the Corporation after such consultation and thereafter the Redemption Price per Class Z preference share shall mean the quotient obtained when an amount equal to the aggregate fair market value of the said 18,532 Class Z preference shares of Spinrite, as determined by the board of directors of the Corporation after consultation with the said taxing authority, is divided by 18,532, nunc pro tunc.

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- (ii) Idem: In the event that the Redemption Price for each Class Z preference share is increased pursuant to clause (32)(i) hereof following a redemption or purchase for cancellation or other acquisition by the Corporation of a Class Z preference share, the Corporation shall pay to the holders of Class Z preference shares whose shares were redeemed or purchased for cancellation or otherwise acquired by the Corporation, by way of an increase in the Redemption Amount of such Class Z preference shares, an amount equal to the aggregate of the increase determined pursuant to clause (32)(i) hereof plus (a) any additional amount owing as dividends on account of prior dividends based on the Redemption Price and (b) a percentage of such increase, which percentage is equal to the Prime Rate, compounded annually, computed from the date of the redemption or purchase for cancellation or other acquisition by the Corporation up to and including the date of such payment by the Corporation and for purposes of clauses (30)(i) and (31)(ii) hereof the holder of such Class Z preference shares shall be deemed to have received payment of the Redemption Amount on the Redemption Date.
- (iii) Idem: In the event that the Redemption Price for each Class Z preference share is decreased pursuant to clause (32)(i) hereof following a redemption or purchase for cancellation or other acquisition by the Corporation of a Class Z preference share, each person whose Class Z preference share was redeemed or purchased for cancellation or otherwise acquired by the Corporation shall be liable to pay to the Corporation, by way of a reduction of the Redemption Price of such Class Z preference shares, an amount equal to the aggregate of the decrease determined pursuant to clause (32)(i) hereof plus (a) any additional amount previously paid as an excess dividend based on the Redemption Price and (b) a percentage of such decrease, which percentage is equal to the Prime Rate, compounded annually, computed from the date of the redemption or purchase for cancellation or other acquisition by the Corporation up to and including the date of such payment by each such person.
- (iv) Idem: Where such an increase occurs pursuant to clauses (32)(i) and (ii) after Class Z preference shares have been redeemed, purchased for cancellation or otherwise acquired by the Corporation, the rights of the former holder shall, notwithstanding any other provisions hereof, be limited to those of a creditor of the Corporation.

Voting Rights: The holders of Class Z preference shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting.

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- (34) Waiver: The Corporation or the holder of any Class Z preference share may waive, in writing, any of the requirements herein in its favour, including requirements with respect to the giving of notice of redemption.

#### COMMON SHARES

- (35) Payment of Dividends: Subject to the prior rights of the holders of special shares, Class A preference shares, Class X preference shares, Class Y preference shares and Class Z preference shares, the holders of the common shares shall be entitled to receive such dividends (if any) as the board of directors may in its discretion declare. Notwithstanding any other provisions hereof, no dividends shall be paid on the common shares if the payment of such dividends would prevent the Corporation from redeeming all of its issued special shares, Class A preference shares, Class X preference shares, Class Y preference shares and Class Z preference shares, outstanding at any time at their aggregate Redemption Amount.
- (36) Participation upon Liquidation, Dissolution or Winding-Up: The event of the liquidation dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the common shares shall, subject to the rights of the holders of special shares, Class A preference shares, Class X preference shares, Class Y preference shares and Class Z preference shares, be entitled to participate rateably in any distribution of the assets of the Corporation.
- (37) Voting Rights: The holders of the common shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and to one vote in respect of each common share held at all such meetings.

#### ARTICLE 10 - ISSUANCE OF SHARES UPON AMALGAMATION

10.1 The authorized but unissued shares and the issued and outstanding shares in the capital of the Amalgamating Corporations shall be respectively cancelled and/or converted into issued shares in the capital of the Amalgamated Corporation as follows:

- (a) Spinrite:
- (i) the 200,000 special shares of Spinrite shall be converted into 200,000 special shares of the Amalgamated Corporation;
  - (ii) the 8,003 Class A preference shares of Spinrite shall be converted into 8,003 Class A preference shares of the Amalgamated Corporation;



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- (iii) the 17,632 Class X preference shares of Spinrite issued to 469974 shall be cancelled and the remaining 35,668 issued Class X preference shares of Spinrite shall be converted into 35,668 Class X preference shares of the Amalgamated Corporation;
  - (iv) the 34,968 Class Y preference shares of Spinrite shall be converted into 34,968 Class Y preference shares of the Amalgamated Corporation;
  - (v) the 18,532 Class Z preference shares of Spinrite shall be converted into 18,532 Class Z preference shares of the Amalgamated Corporation; and
  - (vi) the 202,404 common shares of Spinrite shall be converted into 184,808 common shares of the Amalgamated Corporation;
- (b) 825643:
- (i) the 1,000 common shares of 825643 shall be converted into 5,048 common shares of the Amalgamated Corporation; and
  - (ii) the authorized but unissued preference shares of 825643 shall be cancelled; and
- (c) 469974:
- (i) the 2 common shares of 469974 shall be converted into 15,144 common shares of the Amalgamated Corporation; and
  - (ii) the authorized but unissued preference shares of 469974 shall be cancelled.

10.2 After the filing of Articles of Amalgamation in respect of this Agreement and the issue of a Certificate, the shareholders of the Amalgamating Corporations shall, when requested by the Amalgamated Corporation, surrender the certificates representing shares held by them in the Amalgamating Corporations and, subject to the provisions of the Act, in return shall be entitled to receive certificates for shares of the Amalgamated Corporation as set forth in section 10.1 herein on the basis aforesaid.

10.3 Holders of shares of any of the Amalgamating Corporations shall not be entitled to receive any consideration in respect of fractional shares of the Amalgamated Corporation resulting from the conversion described above or to

be registered on the books of the Amalgamated Corporation with respect to fractional shares.

**ARTICLE 11 - TRANSFER OF SHARES**

11.1 The right to transfer shares in the capital of the Amalgamated Corporation shall be restricted in that no shares shall be transferred without either:

- (i) the consent of the holders of at least fifty-one per cent (51%) of the voting shares of the Amalgamated Corporation for the time being outstanding expressed either by a resolution passed at a meeting of the shareholders or by an instrument or instruments in writing signed by the holders of at least fifty-one per cent (51%) of such shares; or
- (ii) the consent of the directors of the Amalgamated Corporation expressed either by a resolution passed at a meeting of the directors or by an instrument or instruments in writing signed by a majority of the directors.

**ARTICLE 12 - SPECIAL PROVISIONS**

12.1 Subject to the provisions of the Act, the following provisions shall apply to the Amalgamated Corporation:

- (i) Without in any way restricting the powers conferred upon the Amalgamated Corporation or its board of directors by the Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, the board of directors may from time to time, without authorization of the shareholders, in such amounts and on such terms as it deems expedient:
  - (a) borrow money upon the credit of the Amalgamated Corporation;
  - (b) issue, re-issue, sell or pledge debt obligations of the Amalgamated Corporation;
  - (c) subject to the provisions of the Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, give a guarantee on behalf of the Amalgamated Corporation to secure performance of an obligation of any person; and
  - (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Amalgamated Corporation owned or subsequently acquired, to secure any obligation of the Amalgamated Corporation.

The board of directors may from time to time delegate to a director, a committee of directors or an officer of the Amalgamated Corporation any or all of the powers conferred on the board as set out above, to such extent and in such manner as the board shall determine at the time of such delegation.

- (ii) The number of shareholders of the Amalgamated Corporation, exclusive of persons who are in its employment and exclusive of persons who, having been formerly in the employment of the Amalgamated Corporation, were, while in that employment, and have continued after the termination of that employment, to be shareholders of the Amalgamated Corporation, is limited to not more than fifty (50), two (2) or more persons who are the joint registered owners of one (1) or more shares being counted as one (1) shareholder.
- (iii) Any invitation to the public to subscribe for securities of the Amalgamated Corporation is prohibited.

**ARTICLE 13 - FILING OF ARTICLES OF AMALGAMATION**

13.1 Upon the approval of this Agreement by the shareholders of each of the Amalgamating Corporations in accordance with the requirements of the Act, the parties hereto shall jointly complete and file articles of amalgamation, in duplicate, in prescribed form with the Director appointed under the Act, providing for the amalgamation of Spinrite, 825643 and 469974 upon and subject to the terms of this Agreement.

13.2 This Agreement may be terminated without cause or reason by the board of directors of any of the Amalgamating Corporations, notwithstanding the approval of this Agreement by the shareholders of such Amalgamating Corporations, at any time prior to the endorsement of the Certificate.

**ARTICLE 14 - SHAREHOLDER APPROVAL**

14.1 This Agreement is conditional upon the approval of the shareholders of Spinrite, 825643 and 469974, in accordance with the provisions of the Act.

IN WITNESS WHEREOF this Agreement has been duly executed by the parties hereto under their respective corporate seals as witnessed by the signatures of their proper officers in that behalf.

**SPINRITE INC.**

Per: \_\_\_\_\_  
Robert Hay

Per: \_\_\_\_\_  
Douglas Hay

**825643 ONTARIO LIMITED**

Per: \_\_\_\_\_  
Robert Hay

Per: \_\_\_\_\_  
Douglas Hay

**469974 ONTARIO LIMITED**

Per: \_\_\_\_\_  
Robert Hay

Per: \_\_\_\_\_  
Douglas Hay

Spinrite Inc.  
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