

FORM PTO-1594 (Modified)
(Rev. 07/05)
OMB No. 0651-0027 (exp. 6/30/2008)
TM05/REV04

REC
TRADEMARK

09-15-2006

Docket No.:

T948233.1



ONLY

To the Director of the U. S. Patent and Trademark (

documents or the new address(es) below.

1. Name of conveying party(ies):

Sprinrite Limited Partnership

9-12-06



103307781 receiving party(ies):

Additional names, addresses, or citizenship attached? Yes No

Name: **The Bank of Nova Scotia**

Internal Address: _____

Street Address: **101 Fredrick St, Ste. 700, Fredrick Tower**

City: **Kitchener**

State: **Ontario**

Country: **Canada** ZIP: **N2H 6R2**

- Individual(s)
- General Partnership
- Corporation-State: _____
- Other _____
- Association
- Limited Partnership

Citizenship (see guidelines) _____
Additional names(s) of conveying party(ies) Yes No

3. Nature of conveyance/Execution Date(s):

Execution Date: **February 8, 2005**

- Assignment
- Security Agreement
- Other _____
- Merger
- Change of Name

- Association Citizenship _____
- General Partnership Citizenship _____
- Limited Partnership Citizenship _____
- Corporation Citizenship **Canadian**
- Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from

4. Application number(s) or registration numbers(s) and identification or description of the Trademark/Service Mark:

A. Trademark / Service Mark Application No.(s)

See Schedule A

B. Trademark / Service Mark Registration No.(s)

Additional sheet(s) attached? Yes No

C. Identification or Description of Trademark(s)/Service Mark(s) (and Filing Date if Application or Registration Number is unknown):

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

Name: **Sam Ierullo**

Internal Address: _____

Street Address: **Suite 1600, 1 First Canadian Place,
100 King Street West**

City: **Toronto**

State: **Ontario, Canada** Zip: **M5X 1G5**

Phone Number: **(416) 862-4422**

Fax Number: **(416) 862-7661**

Email Address: **sam.ierullo@gowlings.com**

6. Total number of applications and registrations involved: **11**

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ **290.00**
 Authorized to be charged by credit card
 Authorized to be charged to deposit account
 Enclosed

8. Payment Information:
a. Credit Card Last 4 Numbers _____ Expiration Date _____
b. Deposit Account Number **07-1750** Authorized User Name _____

9. Signature: _____

Signature

Sam Ierullo

Name of Person Signing

September 15 2006

Date

Total number of pages including cover sheet, attachments, and document: **22**

SCHEDULE A

Country	Trade-mark	Application/Registration Number
CANADA	LILY & Design	1,304,549
	LILY	1,304,548
	SPINRITE	1,267,417
	LACETTE	TMA661,960
	GLITTALLIC	TMA661,951
	SILVERLASH	TMA661,949
	LUXEFFECTS	1,251,078
UNITED STATES	SUGAR 'N CREAM	78960604
	LILY	78660089
	BERNAT	78599014
	LUXEFFECTS	78613388
	CI CI	78562756
	LACETTE	78742585
	SILVERLASH	78742579
	GLITTALLIC	78742569
	BEAR	78613403
	POOCH	78599948
	BE MINE	78599906

INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS AGREEMENT effective as of February 8, 2005 made by **SPINRITE LIMITED PARTNERSHIP**, a limited partnership formed under the laws of the Province of Manitoba (together with its successors and permitted assigns, the "**Grantor**"), whose head office is 320 Livingstone Avenue South, Listowel, Ontario, Canada N4W 3H3 in favour of **THE BANK OF NOVA SCOTIA**, in its capacity as administrative agent acting for and on behalf of itself and the Lenders (as defined below) (together with its successors and assigns, the "**Agent**"), whose full post office address is Suite 700, Frederick Tower, 101 Frederick Street, Kitchener, Ontario, Canada N2H 6R2.

WHEREAS as general and continuing collateral security for the payment and fulfillment of the Secured Obligations, the Grantor has agreed, *inter alia*, to grant to the Agent, for and on behalf of and for the benefit of itself and the Lenders, a security interest in the Intellectual Property.

NOW THEREFORE, in consideration of each of the Lenders agreeing to make available its Commitments in the Credits in favour of the Grantor and in order to induce the Lenders to make the extension of credit under the Credit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Grantor, the Grantor agrees and covenants with the Secured Parties as follows:

1. **Definitions.** All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Credit Agreement. In addition, in this Agreement, unless the context otherwise requires, the following words and expressions shall have the meanings set forth below:

- (a) "**Credit Agreement**" means the credit agreement dated as of February 8, 2005 among the Grantor, as borrower, 3096487 Nova Scotia Company, Spinrite Holding LP, Spinrite GP Inc., Spinrite Trust, as guarantors, the Agent, as administrative agent, Canadian Imperial Bank of Commerce, as syndication agent, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Bank of Montreal, as lenders, and any other lender as may become a party from time to time, as such agreement may be amended, modified, supplemented, extended, renewed, restated or replaced from time to time;
- (b) "**Event of Default**" means the occurrence of an Event of Default under the Credit Agreement;
- (c) "**Intellectual Property**" has the meaning given to it in Section 2;
- (d) "**Lenders**" means, collectively, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce and Bank of Montreal together with any other lender who may become a party to the Credit Agreement from time to time, and their respective successors and assigns;
- (e) "**PPSA**" means the *Personal Property Security Act* (Ontario), as such legislation may be amended, renamed or replaced from time to time (and includes all regulations from time to time made under such legislation);
- (f) "**Secured Obligations**" means all present and future indebtedness, liabilities and obligations of the Grantor to the Secured Parties or any one of them including, without limitation, under the Credit Agreement, the Security Documents and any other Loan Document to which the Grantor is a party and all reasonable costs and

expenses incurred by the Secured Parties or any of them in enforcing any rights under this Agreement; and

- (g) **"Secured Parties"** means the Agent and the Lenders and **"Secured Party"** means each of them.

2. **Grant of Security Interest.** As general and continuing collateral security for the prompt and complete payment and performance of the Secured Obligations, the Grantor hereby grants to the Agent, for and on behalf of and for the benefit of itself and the Lenders, a first priority security interest in all of the Grantor's registered and unregistered intellectual property (all of which shall collectively referred to as the **"Intellectual Property"**) including, without limitation, the following:

(a) Any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter acquired or held including, without limitation, those set forth on **EXHIBIT "A"** attached hereto (collectively, the **"Copyrights"**);

(b) Any and all trade secrets, and any and all property rights in computer software and computer software products, including source code and object code, now or hereafter acquired or held. Software means all computer programs and databases and portions of each of the foregoing owned by the Grantor in whatever form and on whatever medium those programs or databases are expressed, fixed, embodied or stored from time to time, and the copyright therein including, without limitation, those set forth on **EXHIBIT "A"**. Software includes both the object code and the source code versions of each such program and portions thereof and all corrections, updates, enhancements, translations, modifications, adaptations and new versions thereof together with both the media upon or in which such programs, databases and portions thereof are expressed, fixed, embodied or stored (such as disks, diskettes, tapes and semiconductor chips) and all flow charts, manuals, instructions, documentation and other material relating thereto;

(c) All patents, patent applications, like protections and inventions now or hereafter acquired or held including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same including, without limitation, the patents and patent applications set forth on **EXHIBIT "B"** attached hereto (collectively, the **"Patents"**);

(d) Any trademark and service mark rights, slogans, trade dress, and tradenames, internet domain names, registered or not, applications to register and registrations of the same and like protections (excluding any intent to use filings) now or hereafter acquired or held, and the entire goodwill of the business of the Grantor associated therewith including, without limitation, those set forth on **EXHIBIT "C"** attached hereto (collectively the **"Trademarks"**);

(e) Any and all industrial design rights which may be available to the Grantor now or hereafter acquired or held including, without limitation, those set forth on **EXHIBIT "D"** attached hereto (collectively, the **"Designs"**);

(f) All licenses or other rights to use any of the Copyrights, Patents, software, Designs, Trademarks, trade secrets, and all license fees and royalties due and/or payable to the Grantor arising from such use, to the extent permitted by such license or rights, including, without limitation, those set forth on **EXHIBIT "E"** attached hereto;

(g) Any and all claims for damages or compensation for past, present and future infringements of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;

(h) All amendments, extensions, renewals and extensions of any of the Copyrights, Trademarks, Patents or Designs; and

(i) All proceeds and products of the foregoing including, without limitation, all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

3. **Exception Regarding Last Day.** The last day of the term of each license granted to the Grantor pursuant to any license agreement shall be excepted from this Agreement and shall not form part of the Intellectual Property. The Grantor shall stand possessed of that day in trust to assign and dispose of it as the Agent directs.

4. **Authorization and Request.** The Grantor authorizes and requests that the Register of Copyrights and the Commissioner of Patents and Trademarks record this Agreement.

5. **Covenants and Warranties.** The Grantor represents, warrants, covenants and agrees as follows:

(a) The Grantor is now the sole owner of the entire right, title and interest in the Intellectual Property necessary for the conduct of its business as currently conducted, except for: (i) non-exclusive licenses granted by the Grantor to its customers in the ordinary course of business, and (ii) those rights licensed from third parties;

(b) Performance of this Agreement does not conflict with or result in a breach of any material agreement to which the Grantor is bound, except to the extent that certain intellectual property agreements prohibit the assignment of the rights thereunder to a third party without the licensor's or other party's consent;

(c) During the term of this Agreement, the Grantor will not transfer or otherwise encumber any interest in the Intellectual Property, except for non-exclusive licenses granted by the Grantor in the ordinary course of business or as set forth in this Agreement or as permitted pursuant to the Credit Agreement;

(d) To its knowledge, each item of the Intellectual Property is valid and enforceable, and no part of the Intellectual Property has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Intellectual Property violates the rights of any third party except for claims the adverse determination of which could not reasonably be expected to have a Material Adverse Effect;

(e) The Grantor shall advise the Agent of any material adverse change in the composition of the Intellectual Property within 60 days of the Grantor becoming aware of said material adverse change;

(f) The Grantor shall promptly advise the Agent of any right, title or interest the Grantor acquires in or to any Trademark, Patent, Copyright or Design after the date hereof;

(g) The Grantor shall (i) protect, defend and maintain the validity and enforceability of the Trademarks, Patents, Copyrights, Designs and each item of the Intellectual Property, and (ii) use its

commercially reasonable efforts to detect infringements of the Trademarks, Patents, Copyrights or Designs thereof and promptly advise the Agent in writing of infringements detected;

(h) The Grantor shall, from time to time, execute and file such other instruments, and take such further actions as the Agent or the Lenders may reasonably request from time to time to perfect or continue the perfection of the Agent's and the Lenders' security interests in the Intellectual Property;

(i) This Agreement creates and, in the case of any of the Intellectual Property created, acquired or held by the Grantor after the date of this Agreement ("**After-Acquired Intellectual Property**"), this Agreement will create, at the time the Grantor first has rights in such After-Acquired Intellectual Property, in favour of the Agent, for and on behalf of and for the benefit of itself and the Lenders, a valid and perfected first priority security interest (subject to Permitted Liens) in the Intellectual Property securing the payment and performance of the Secured Obligations (upon making the filings referred to in clause (j) below), and, within 60 days of the date of this Agreement or the date upon which the Grantor creates, acquires or holds the After-Acquired Intellectual Property, as the case may be, the Grantor shall file, or cause to be filed, any and all instruments necessary to perfect the Grantor's right, title and interest in the Intellectual Property, to execute and file, or cause to be executed and filed, any and all instruments necessary to perfect the Agent's and the Lenders' security interests therein;

(j) To its knowledge, except for, and upon, the filing with the Canadian Intellectual Property Office and the United States Patent and Trademark Office with respect to the Patents, Trademarks and Designs and the Register of Copyrights with respect to the Copyrights necessary to perfect the security interest created hereunder and except as has been already made or obtained, no authorization, approval or other action by, and no notice to or filing with, any U.S. or Canadian governmental authority or U.S. or Canadian regulatory body is required either: (i) for the grant by the Grantor of the security interest granted hereby, or for the execution, delivery or performance of this Agreement by the Grantor in the U.S. and Canada; or (ii) for the perfection in the U.S. and Canada or the exercise by the Agent and the Lenders of their rights and remedies thereunder;

(k) All information heretofore or contemporaneously supplied to the Agent and the Lenders by or on behalf of the Grantor with respect to the Intellectual Property is true in all material respects as of the date hereof;

(l) The Grantor shall not enter into any agreement that would materially impair or conflict with the Grantor's obligations hereunder without the Agent's prior written consent, which consent shall not be unreasonably withheld. The Grantor shall not permit the inclusion in any material contract to which it becomes a party of any provisions that could or might in any way prevent the creation of a security interest in favour of the Agent and the Lenders in the Grantor's rights and interest in any property included within the definition of the Intellectual Property acquired under such contracts;

(m) Upon any executive officer of the Grantor obtaining actual knowledge thereof, the Grantor will promptly notify the Agent and the Lenders in writing of any event that materially adversely affects the value of any material Intellectual Property, the ability of the Grantor to dispose of any material Intellectual Property and the rights and remedies of the Agent the Lenders in relation thereto; and

(n) this Agreement constitutes a security interest in the Intellectual Property.

6. **Agent's and Lenders' Rights.** The Agent and the Lenders shall have the right, but not the obligation, to take, at the Grantor's sole expense, any actions that the Grantor is required under this Agreement to take but which the Grantor fails to take, after fifteen (15) business days' notice by the Agent

to the Grantor. The Grantor shall reimburse and indemnify the Agent and the Lenders for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this Section 6.

7. **License Agreements.** The security interest granted hereunder shall not extend or apply to any right, title or interest of the Grantor under any present or future license agreements pursuant to which the Grantor is a licensee, to the extent such license agreements prohibit such a security interest from being granted without the consent or approval of another person as specified in such agreement and the security interest or assignment granted hereunder shall only apply upon such consent or approval being obtained, but the Grantor shall hold its interest therein in trust for the benefit of the Agent and the Lenders and shall grant a security interest to the Agent and the Lenders forthwith upon obtaining the consent of the other party thereto.

8. **Inspection Rights.** The Grantor hereby grants to the Agent and the Lenders and each of their employees, representatives and agents the right to visit, during reasonable hours upon prior reasonable written notice to the Grantor, any of the Grantor's plants and facilities that manufacture, install or store products (or that have done so during the prior six-month period) that are sold utilizing any of the Intellectual Property, and to inspect the products and quality control records relating thereto upon reasonable written notice to the Grantor and as often as may be reasonably requested, but not more than once in every six (6) months; provided, however, nothing herein shall entitle the Agent and the Lenders access to the Grantor's trade secrets and other proprietary information.

9. **Further Assurances; Attorney in Fact.**

(a) On a continuing basis, but subject to Section 18, the Grantor will, subject to any prior licenses, encumbrances and restrictions and prospective licenses, make, execute, acknowledge and deliver, and file and record in the proper filing and recording places in the United States and Canada, all such instruments, including appropriate financing and continuation statements and collateral agreements and filings with the Canadian Intellectual Property Office and the United States Patent and Trademarks Office and the Register of Copyrights and take all such action as may reasonably be deemed necessary or advisable, or as requested by the Agent or any Lender, to perfect the Agent's and the Lenders' security interests in all Copyrights, Patents, Trademarks and Designs, and otherwise to carry out the intent and purposes of this Agreement, or for assuring and confirming to the Agent and the Lenders the grant or perfection of a security interest in the Intellectual Property.

(b) The Grantor hereby irrevocably appoints the Agent as the Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor, the Agent or otherwise upon the occurrence and during the continuance of an Event of Default, from time to time in the Agent's discretion, upon the Grantor's failure or inability to do so, to take any action and to execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including:

(i) To modify, in its sole discretion, this Agreement without first obtaining the Grantor's approval of or signature to such modification by amending Exhibit "A", Exhibit "B", Exhibit "C", Exhibit "D" and Exhibit "E" hereof, as appropriate, to include reference to any right, title or interest in any Copyrights, Patents or Trademarks acquired by the Grantor after the execution hereof or to delete any reference to any right, title or interest in any Copyrights, Patents or Trademarks in which the Grantor no longer has or claims any right, title or interest; and

(ii) To file, in its sole discretion, one or more financing, financing change or continuation statements and amendments thereto, relative to any of the Intellectual Property without the signature of the Grantor where permitted by law.

10. **Default.** The Grantor shall be in default under this Agreement upon the occurrence of an Event of Default under the Credit Agreement.

11. **Remedies.** Upon the occurrence and continuance of an Event of Default, the Agent and the Lenders shall have the right to exercise all the remedies of a secured party under the PPSA including, without limitation, acceleration of the indebtedness, the right to require the Grantor to assemble the Intellectual Property and any tangible property in which the Agent and the Lenders have a security interest and to make it available to the Agent at a place designated by the Agent. The Grantor will pay any expenses (including reasonable legal and attorney's fees) incurred by the Agent and the Lenders in connection with the exercise of any of the Agent's and the Lenders' rights hereunder, including without limitation any expense incurred in disposing of the Intellectual Property. All of the Agent's and Lenders' rights and remedies with respect to the Intellectual Property shall be cumulative.

12. **Appointment of Receiver.** Upon the occurrence and during the continuance of an Event of Default, the Agent and the Lenders may appoint or reappoint by instrument in writing, any person or persons, whether an officer or officers or an employee or employees of the Agent and the Lenders or not, to be a receiver or receivers (hereinafter called a "Receiver", which term when used herein shall include a receiver and manager) of the Intellectual Property (including any proceeds) and may remove any Receiver so appointed and appoint another in its stead. Any such Receiver shall, so far as concerns responsibility for its acts, be deemed the agent of the Grantor and not of the Agent or the Lenders, and the Agent and the Lenders shall not be in any way responsible for any misconduct, negligence, or non-feasance on the part of any such Receiver, its servants, agents or employees. Subject to the provisions of the instrument appointing him, any such Receiver shall have power to take possession of the Intellectual Property, to preserve the Intellectual Property or its value and to sell, license or otherwise dispose of or concur in selling, licensing or other disposing of the Intellectual Property. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others including the Grantor, enter upon, use and occupy all premises owned or occupied by the Grantor wherein the Intellectual Property may be situated, maintain the Intellectual Property upon such premises, borrow money on a secured or unsecured basis and use the Intellectual Property as security for loans or advances, as such Receiver shall, in its discretion, determine. Except as may be otherwise directed by the Agent, all money received from time to time by such Receiver in carrying out his appointment shall be received in trust for and paid over to the Agent. Every such Receiver may, in the discretion of the Agent and the Lenders, be vested with all and any of the rights and powers of the Agent and a Lender.

13. **Exercise of Rights by Agent and the Lenders.** Upon the occurrence and during the continuance of an Event of Default, the Agent and the Lenders may, either directly or through its nominees, exercise any or all of the powers and rights given to a Receiver by virtue of Section 12.

14. **Taking Possession of Intellectual Property.** Upon the occurrence and during the continuance of an Event of Default, the Agent and the Lenders may take possession of, collect, demand, sue on, enforce, recover and receive the Intellectual Property and give valid and binding receipts and discharges therefor and in respect thereof, and, the Agent and the Lenders may sell, license or otherwise dispose of the Intellectual Property in such manner at such time or times and place or places, for such consideration and upon such terms and conditions as the Agent and the Lenders may deem reasonable.

15. **Rights and Remedies of Agent and the Lenders under the PPSA.** In addition to those rights granted herein and in any other agreement now or hereafter in effect between the Grantor, the Agent and the Lenders and in addition to any other rights the Agent and the Lenders may have at law or in equity, the Agent and the Lenders shall have, after the occurrence and during the continuance of an Event of Default, all rights and remedies of a secured party under the PPSA provided always, that the Agent and the Lenders shall not be liable or accountable for any failure to exercise their remedies, take

possession of, collect, enforce, realize, sell, license or otherwise dispose of the Intellectual Property or to institute any proceedings for such purposes. Furthermore, the Agent and the Lenders shall have no obligation to take any steps to preserve rights against prior parties to any Instrument (as defined in the PPSA) or Chattel Paper (as defined in the PPSA) whether the Intellectual Property or proceeds and whether or not in the Agent's and the Lenders' possession and shall not be liable or accountable for failure to do so.

16. **Cooperation of Grantor with respect to Taking Possession.** The Grantor acknowledges that the Agent or a Lender or any Receiver appointed by them may take possession of the Intellectual Property wherever it may be located and by any method permitted by law and the Grantor agrees upon request from the Agent or a Lender or any such Receiver to assemble and deliver possession of the Intellectual Property at such place or places as directed.

17. **Costs.** The Grantor agrees to pay all cost, charges and expenses reasonably incurred by the Agent or the Lenders or any Receiver appointed by them, whether directly or for services rendered (including reasonable legal counsels' and auditors' costs and other legal expenses and Receiver remuneration), in operating the Grantor's accounts, in preparing or enforcing this Agreement, taking and maintaining custody of, preserving, registering, licensing, preparing for disposition and disposing of the Intellectual Property and in enforcing or collecting the Secured Obligations and all such costs, charges and expenses, together with any amounts owing as a result of any borrowing by the Agent, the Lenders or any Receiver appointed by them, as permitted hereby, shall be a first charge on the proceeds of realization, collection or disposition of the Intellectual Property and shall be secured hereby.

18. **Notice of Sale.** The Agent will give the Grantor such notice, if any, of the date, time and place of any public sale or of the date after which any private disposition of the Intellectual Property is to be made, as may be required by the PPSA.

19. **Reassignment.** At such time as the Grantor shall completely satisfy all of the obligations secured under this Agreement or Section 28 shall apply, the Agent shall execute and deliver to the Grantor all deeds, assignments, and other instruments as may be necessary or proper to reinvest in the Grantor full title to the property assigned hereunder, subject to any disposition thereof which may have been made by the Agent pursuant hereto.

20. **Course of Dealing.** No course of dealing, nor any failure to exercise, nor any delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

21. **Amendments.** This Agreement may be amended only by a written instrument signed by both parties hereto.

22. **Survival and Reliance.** All representations and warranties of the Grantor made in this Agreement or in any certificate or other document delivered by or on behalf of the Grantor for the benefit of the Agent and the Lenders are material and shall continue without time limit. The Agent and each of the Lenders shall be deemed to have relied upon each such representation and warranty despite any investigation the Agent or the Lenders may have made.

23. **License/Assignment of Intellectual Property.** For the purpose of enabling the Agent and the Lenders or any Receiver to exercise the rights and remedies under Sections 11 and 12 (including, without limiting the terms of Sections 11 and 12, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell or otherwise dispose of the Intellectual Property) at and for such time as the Agent and the Lenders shall be lawfully entitled to exercise such rights and remedies, the Grantor shall grant to the Agent, for the benefit of the Agent and the Lenders, an irrevocable, non-

exclusive license (exercisable without payment of royalty or other compensation to the Grantor) to use, license or sublicense any of the Intellectual Property now owned or hereafter acquired by the Grantor, and wherever the same may be located, and included in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof. In addition, upon receiving written demand from the Agent after an Event of Default has occurred and is continuing, the Grantor shall assign the Intellectual Property to whomever the Agent directs, including to the Agent itself or any Lender.

24. **Grantor Remains Liable.** Notwithstanding any other provision in this Agreement, the Grantor shall remain liable under all license agreements under which the Grantor is a licensor. The Grantor shall perform all of its duties and obligations thereunder just as if this Agreement had not been executed. The Grantor shall not be released from any of its duties or obligations under such license agreements by the exercise of any rights by the Agent or the Lenders. The Agent or the Lenders shall not have any obligation or liability under such license agreements by reason of this Agreement, nor shall the Agent or the Lenders be obliged to perform any of the obligations or duties of the Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder. The rights and powers conferred upon the Agent or the Lenders hereunder are solely to protect their interest in the Intellectual Property and shall not impose any duty upon it to exercise any such powers.

25. **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original agreement and all of which shall constitute one agreement. All counterparts shall be construed together and shall constitute one and the same agreement. This Agreement, to the extent signed and delivered by means of electronic transmission (including, without limitation, facsimile and Internet transmissions), shall be treated in all manner and respects as an original agreement and should be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

26. **Governing Law; Attornment.** This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, and will be treated, in all respects, as an Ontario contract. The Grantor submits and attorns to the non-exclusive jurisdiction of the courts of Ontario. To the extent permitted by applicable law, the Grantor irrevocably waives any objection (including any claim of inconvenient forum) that it may now or hereafter have to the venue of any legal proceeding arising out of or relating to this Agreement in courts of such Province.

27. **Confidentiality.** All information (other than periodic reports filed by the Grantor with any securities commission or regulatory authority) disclosed by the Grantor to the Agent or any Lender in writing or through inspection pursuant to this Agreement that is marked confidential shall be considered confidential. The Agent and the Lenders agree to use the same degree of care to safeguard and prevent disclosure of such confidential information as the Agent and the Lenders use with their own confidential information, but in any event no less than a reasonable degree of care. The Agent and the Lenders shall not disclose such information to any third party (other than the Agent's and the Lenders' attorneys, counsel, governmental regulators, and auditors, or to the Agent's and the Lenders' subsidiaries and affiliates for the purposes of evaluating the Agent's and the Lenders' rights, subject to the same confidentiality obligation set forth herein) and shall use such information only for purposes of evaluation of its investment in the Grantor and the exercise of the Agent's and the Lenders' rights and the enforcement of its remedies and this Agreement and the other Loan Documents. The obligations of confidentiality shall not apply to any information that (a) was known to the public prior to disclosure by the Grantor under this Agreement, (b) becomes known to the public through no fault of the Agent and the Lenders, (c) is disclosed to the Agent and the Lenders by a third party having a legal right to make such disclosure, or (d) is independently developed by the Agent and the Lenders. Notwithstanding the foregoing, the Agent's and the Lenders' agreement of confidentiality shall not apply if the Agent or

Lenders have acquired indefeasible title to any Collateral or in connection with any enforcement or exercise of the Agent's and the Lenders' rights and remedies under this Agreement following the occurrence and continuation of an Event of Default, including the enforcement of the Agent's and the Lenders' security interest in the Intellectual Property.

28. **Termination.** The security interest in the Intellectual Property will be discharged upon and this Agreement terminated, but only upon, (i) full and indefeasible payment and performance of the Secured Obligations, (ii) the cancellation of the Credits, and (iii) the Agent and the Lenders having no obligations under the Credit Agreement, the Security Documents or any other Loan Document. Upon discharge of the security interest and at the request and expense of the Grantor, the Agent will execute and deliver to the Grantor such releases, discharges, financing statements and other documents or instruments as the Grantor may reasonably require and the Agent will redeliver to the Grantor, or as the Grantor may otherwise direct the Agent, any Intellectual Property in its possession.

29. **Reorganization.** The Grantor agrees that it will not reorganize with any other partnership or other entity other than in accordance with the Credit Agreement. The Grantor acknowledges and agrees that, in the event it reorganizes with any other partnership or any other entity, it is the intention of the parties hereto that the security interests created hereby (a) shall extend to the Intellectual Property owned by each of the reorganizing partnerships or any other reorganizing entity and the reorganized partnership or reorganized entity at the time of reorganization and to any of the Intellectual Property thereafter owned or acquired by the reorganized partnership or reorganized entity, such that the term "Grantor" when used herein would apply to each of the reorganizing partnerships or any other reorganizing entity and the reorganized partnership or reorganized entity and (b) shall secure the Secured Obligations of each of the reorganizing partnerships or any other reorganizing entity and the reorganized partnership or reorganized entity to the Agent and the Lenders at the time of reorganization and any Secured Obligations of the reorganized partnership or reorganized entity to the Agent and the Lenders thereafter arising. The security interest shall attach to the additional Intellectual Property at the time of reorganization and to any of the Intellectual Property owned or acquired by the reorganized partnership or reorganized entity when such becomes owned or is acquired.

30. **Attachment.** The Security Interest created hereby is intended to attach when this Agreement is signed by the Grantor and delivered to the Agent.

31. **Acknowledgment.** The Grantor hereby acknowledges receipt of a copy of this Agreement.

32. **Registration of Agreement.** The Grantor hereby acknowledges that the Agent and the Lenders may register a copy of this Agreement or notice thereof. The Grantor shall cooperate with and assist the Agent and the Lenders, as requested by the Agent, with respect to any registrations or notice registrations of or relating to this Agreement which the Agent and the Lenders deem appropriate.

33. **Severability of Provisions.** Each provision of this Agreement shall be several from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

34. **Successors and Assigns.** This Agreement shall bind and enure to the benefit of the respective successors and permitted assigns of each of the parties; provided, however, that neither this Agreement nor any rights hereunder may be assigned by the Grantor without the Agent's prior written consent, which consent may be granted or withheld in the Agent's sole discretion. The Agent and the Lenders shall have the right without the consent of or notice to the Grantor to sell, transfer, negotiate, or

grant participation's in all or any part of, or any interest in such Agent's and the Lenders' rights and benefits hereunder.

35. **Agent and Lenders.** The Grantor hereby acknowledges that the Agent acts for itself and on behalf of each of the Lenders as administrative agent in connection with the Credit Agreement and the assignments, transfers, pledges, hypothecations and other security interests granted in favour of the Agent and the Lenders hereunder are and shall be held by the Agent for the benefit of itself and the Lenders.

36. **Conflict.** In the event that there is any conflict or inconsistency between the provisions contained in this Agreement and the provisions contained in the Credit Agreement, then the provisions of the Credit Agreement shall have priority over and shall govern to the extent of such conflict or inconsistency. Provided, however, that the existence of a particular representation, warranty, covenant or other provision in this Agreement which is not contained in the Credit Agreement shall not be deemed to be a conflict or inconsistency, and that particular representation, warranty, covenant or other provision shall continue to apply.

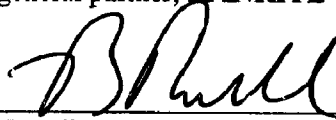
37. **Acts of the Fund, the Trust, the Trustees and the Trust Trustees and Status of Limited Partners.** Section 1.13 of the Credit Agreement, dealing with the liability of parties under the Loan Documents, is deemed to be incorporated in this Agreement by reference thereto.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first written above.

SPINRITE LIMITED PARTNERSHIP,
by its general partner, **SPINRITE GP INC.**

Per:



Ryan Newell
Chief Financial Officer

I have the authority to bind the Limited Partnership and its General Partner.

THE BANK OF NOVA SCOTIA,
as **Administrative Agent**

Per:



Name:

Title:

Jim Beninger
Director



Name:

Title:

Stella Luna
Associate Director

I/We have the authority to bind the Bank.

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EXHIBIT "A"

COPYRIGHTS

Nil.

EXHIBIT "B"

PATENTS

Nil.

EXHIBIT "C"

TRADEMARKS

A. Trademark Registrations

AS AMENDED

Country	Trademark	Applicant's Number	Registration Number
CANADA	ALLURE	1,220,832	
	ARCTIC	516,997	TMA297,602
	BABY BOUCLE	1,220,828	
	BABY COORDINATES	1,220,837	
	BABY SOFT	1,168,866	
	BE MINE, Formalized	1,241,609	
	BERELLA	360,973	TMA194,212
	BERNAT	813,679	TMA502,212
	BERNAT BLING BLING	1,237,516	
	BERNATIZED	261,398	TMA123,392
	BISON BLANC: Design	535,293	TMA311,984
	BOUQUET	191,639	UCA24,053
	BOUQUET	757,991	TMA462,363
	BOUQUET & Design	321,582	TMA166,619
	"CARNIVAL"	191,406	UCA23,655
	CHA CHA	1,220,822	
	CHARO, Formalized	1,241,610	
	CI CI, Formalized	1,243,813	
	CRAFTISANAT	395,961	TMA220,230
	DENIMSTYLE	1,220,826	
	DIVINE	1,220,831	
	DYNASTY	683,737	TMA410,057
	EAGLE DESIGN	672,47	TMA401,977
	FAB FUR	1,221,746	
	FIRST CHOICE	770,095	TMA456,298
	FRENZY	1,221,748	
	FUR OUT	1,221,751	
	GALAXY	1,221,750	
	GLOUCESTER	586,924	TMA344,065
	GOOD SHEPHERD & Design	667,676	TMA397,821
GOOD SHEPHERD & Design	667,675	TMA397,820	
GOOD SHEPHERD Design	667,678	TMA407,700	
GRACE	1,220,824		

CANADA (con't)	HANDICRAFTER	279,273	TMA139,235
	HANDICRAFTER	77,990	TMA460,095
	IRISH MIST	471,700	TMA270,719
	KOUNTRY KABLED KOTTON	808,652	TMA472,951
	LION & Design	261,403	TMA123,398
	MERIT	1,220,834	
	NAKINA	515,414	TMA296,423
	NANTUK	285,767	TMA140,321
	NICE 'N SOFT	656,738	TMA397,286
	PHENSPUN	393,667	TMA218,395
	POLAR	249,194	TMA114,759
	POT-O-GOLD	285,766	TMA140,313
	POOCH, Formalized	1,241,615	
	PHENTEX	672,473	TMA392,903
	PHENTEX DESIGN	672,474	TMA404,846
	PHENTEX & DESIGN	305,312	TMA155,071
	SATIN	1,220,835	
	SOFTEE	615,783	TMA358,616
	SOFTEE BABY	1,220,823	
	SOFT BOUCLE	1,220,830	
	SOLO	1,221,749	
	SPINDLECRAFT	307,265	TMA157,072
	SPINNING WHEEL	304,688	TMA155,310
	SPINNING WHEEL YARNS & Design	304,687	TMA155,320
	SUGAR 'N CREAM	808,651	TMA481,382
	TABRIZ	422,935	TMA250,380
	THE YARN MILL	318,513	TMA170,859
	VELOUR	1,221,747	
	WHITE BUFFALO	313,976	TMA161,267
	WHITE BUFFALO & Design	1,209,490	
WHITE BUFFALO & Design	1,207,686		
WHITE BUFFALO & Design	524,684	TMA304,624	
WHITE BUFFALO & Design	524,685	TMA307,461	
BABY SOFT	1,168,866		
JAPAN	WHITE BUFFALO (Class 15)		1,504,498

UNITED STATES	ALLURE	78478556	78478556
	BABY BOUCLE	78478627	78478627
	BABY BRITE	73623123	1,475,015
	BABY COORDINATES	78478586	78478586
	BERELLA 4	73052026	1,034,354
	BERNAT	72161865	765,926
	BERNAT	72206215	840,552
	BERNAT BLING BLING	78546164	
	BERNAT MADEIRA NEEDLEPOINT	73434488	1,318,315
	BIG DEAL	74735639	1,995,674
	BOUQUET	74689924	2,126,513
	CHA CHA	78478570	
	DENIMSTYLE	78478619	
	DIVINE	78478582	
	FIRST CHOICE	75617634	2,314,332
	FRENZY	78478651	
	FUR OUT	78478664	
	GALAXY	78478642	
	GRACE	78478566	
	HANDICRAFTER	72162247	764,725
	HANDICRAFTER	74689923	2,163,053
	LILY	71253704	237,163
	MERIT	78478549	
	NICE 'N SOFT	74129396	1,846,241
	PHENTEX	72267689	843,753
	PHENTEX	72267690	843,754
	SATIN	78478613	
	SOFT BOUCLE	78478632	
	SOLO	78478656	
	SPINDLECRAFT	74103172	1,685,366
ULTRA-SOFT	74106779	1,806,759	
VELOUR	78478639		

Country	Trade-mark	Application/Registration Number
CANADA	LILY & Design	1,304,549
	LILY	1,304,548
	SPINRITE	1,267,417
	LACETTE	TMA661,960
	GLITTALLIC	TMA661,951
	SILVERLASH	TMA661,949
	LUXEFFECTS	1,251,078
UNITED STATES	SUGAR 'N CREAM	78960604
	LILY	78660089
	BERNAT	78599014
	LUXEFFECTS	78613388
	CI CI	78562756
	LACETTE	78742585
	SILVERLASH	78742579
	GLITTALLIC	78742569
	BEAR	78613403
	POOCH	78599948
	BE MINE	78599906

C. Registered Internet Domain Names

www.patonsyarns.com
www.bernat.com
www.phentexyarns.com
www.lilyyarns.com
www.sugarncream.com
www.spinrite50thanniversary.com
www.bernatkits.com
www.berella.com
www.bernatyarns.com
www.beehiveyarns.com
www.kidz-crafts.com
www.love2knit.com
www.love2crochet.com
www.createforkids.com
www.createasweater.com
www.createanafghan.com
www.spinriteoutlet.com
www.Peachesandcreme.com
www.canadianayarns.com
www.sugarandcream.com

EXHIBIT "D"

DESIGNS

Nil.

EXHIBIT "E"

LICENSES GRANTED

1. License Agreement dated May 5, 1999 between Coats Canada Inc. and Spinrite Inc.; and
2. License Agreement dated January 3, 2003 between Debbie Mumm Inc. and Spinrite Inc.

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