

TRADEMARK ASSIGNMENT

Electronic Version v1.1  
 Stylesheet Version v1.1

<b>SUBMISSION TYPE:</b>	NEW ASSIGNMENT
<b>NATURE OF CONVEYANCE:</b>	Security Agreement

<b>CONVEYING PARTY DATA</b>			
<b>Name</b>	<b>Formerly</b>	<b>Execution Date</b>	<b>Entity Type</b>
J.H. McNairn Limited		05/19/1983	CORPORATION: CANADA

<b>RECEIVING PARTY DATA</b>	
<b>Name:</b>	Continental Bank of Canada
<b>Street Address:</b>	1200 Dundas Street East
<b>Internal Address:</b>	Box 185
<b>City:</b>	Whitby, Ontario
<b>State/Country:</b>	CANADA
<b>Postal Code:</b>	L1N 5S1
<b>Entity Type:</b>	National Banking Association: CANADA

<b>PROPERTY NUMBERS Total: 12</b>		
<b>Property Type</b>	<b>Number</b>	<b>Word Mark</b>
Registration Number:	4181742	ENFOLD
Registration Number:	3469703	WRAPPING OUR IDEAS AROUND YOURS
Registration Number:	3642281	NATURE'S CHOICE
Registration Number:	3642278	LOOKING NATURAL
Registration Number:	3758340	QBAKE
Registration Number:	2609596	ENVIROBAKE
Registration Number:	3069681	INSUL WRAP
Registration Number:	2853235	MEAT GUARD
Registration Number:	2834126	XTREME WRAP
Registration Number:	2834125	TABLE SAVER
Registration Number:	2834124	LINEN SAVER
Registration Number:	1608216	MCNAIRN

OP \$315.00 4181742

Fax Number: 7168526100

*Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent via US Mail.*

Phone: (716) 847-8400

Email: spiatkowski@phillipslytle.com

Correspondent Name: Phillips Lytle LLP

Address Line 1: Intellectual Property Group

Address Line 2: 3400 HSBC Center

Address Line 4: Buffalo, NEW YORK 14203

ATTORNEY DOCKET NUMBER:

2.854

DOMESTIC REPRESENTATIVE

Name:

Address Line 1:

Address Line 2:

Address Line 3:

Address Line 4:

NAME OF SUBMITTER:

Sharon A. Piatkowski

Signature:

/Sharon A. Piatkowski/

Date:

08/07/2013

Total Attachments: 12

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CONTINENTAL BANK OF CANADA

Branch Address: 1200 Dundas Street East, Box 185, Whitby, Ontario L1N 5S1

For value received, and as general and continuing security to secure payment of all advances or loans now or hereafter made by CONTINENTAL BANK OF CANADA ("Bank") to or on the behalf of the undersigned ("Debtor"), and for the observance and performance of all other obligations of Debtor to Bank, whether arising from dealings between Bank and Debtor or from other dealings or proceedings by which Bank may be or become in any manner whatever a creditor of Debtor and wherever incurred, and any ultimate unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again, including, without restricting the generality of the foregoing, advances to Debtor under fixed or revolving credits established from time to time, letters of credit whether or not drawn upon or issued by the Bank with respect to Debtor, and the obligation or liability of Debtor under any contract or guarantee now or hereafter in existence whereby Debtor guarantees payment of debts and obligations of a third party to Bank, and whether incurred by Debtor alone or with another or others, and whether as principal or surety, including all interest, commissions, legal and other costs, charges and expenses (all hereinafter collectively referred to as the "Obligations"), Debtor hereby agrees with Bank and provides as follows:

1. SECURITY INTEREST

Debtor hereby bargains, sells, grants, assigns, conveys, mortgages transfers, charges and sets over as and by way of a fixed and specific mortgage and charge to and in favour of Bank, and grants to Bank a security interest, in all personal property of every nature and kind whatsoever and wheresoever situate now or at any time and from time to time owned by Debtor (hereinafter called the "Collateral"), including, without limiting the generality of the foregoing, the following described property:

- (a) Inventory  
All inventory of whatever kind and wherever situated now owned or hereafter acquired by Debtor including without limiting the generality of the foregoing, goods for sale or lease or that have been leased; goods furnished or to be furnished under a contract of service; goods which are raw materials, work in process or materials used or consumed in a business or profession of Debtor; goods used or procured for packing; finished goods; industrial growing crops, oil, gas and other minerals to be extracted; timber to be cut; and the young of animals after conception ("Inventory");
- (b) Accounts Receivable  
All book accounts and book debts and generally all accounts, debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit, and advices of credit, which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due or owned by Debtor including but not limited to claims against the Crown and claims under insurance policies ("Receivables");
- (c) Equipment  
All machinery, equipment, tools, apparatus, plants, fixtures, furniture, vehicles, goods and other tangible personal property of whatsoever nature and kind, now owned or hereafter acquired by Debtor other than Inventory ("Equipment");
- (d) Chattel Paper  
All chattel paper now owned or hereafter acquired by Debtor ("Chattel Paper");
- (e) Documents of Title  
All warehouse receipts, bills of lading and other documents of title, whether negotiable or otherwise, now owned or hereafter acquired by Debtor ("Documents of Title");

- (f) Instruments  
All instruments now owned or hereafter acquired by Debtor ("Instruments");
- (g) Books, Records, Etc.  
All deeds, documents, writings, papers, books of accounts and other books evidencing or relating to Receivables, Chattel Paper, Instruments or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable; and all contracts, securities, instruments and other rights and benefits in respect thereof;
- (h) Securities  
All shares, stocks, warrants, bonds, debentures, debenture stock or the like now owned or hereafter acquired by Debtor;
- (i) Intangibles  
All intangible property now owned or hereafter acquired by Debtor including, but not limited to, choses in action, goodwill, patents, trademarks, copyrights and other industrial property ("Intangibles");
- (j) Money  
All monies other than trust monies lawfully belonging to others;
- (k) Proceeds, Fixtures, Substitutions, Additions  
Any property in any form (including fixtures) derived directly or indirectly from any dealings with any property herein described (including all products and cash and non-cash proceeds thereof); indemnification or compensation for any such property lost, destroyed, damaged or lawfully or unlawfully taken or injuriously affected; all increases, additions and accessions thereto and substitutions and replacements thereof;
- (l) All personal property, if any, described in Schedule "A" hereto.

2. ATTACHMENT

Debtor acknowledges that the parties intend the security interest hereunder to attach upon the execution of this Agreement, that value has been given and that the Debtor has rights in the Collateral.

3. EXCEPTION AS TO LEASES

Provided that the last day of any term of years reserved by any lease, verbal or written, or any agreement therefor now held or hereafter acquired by Debtor, is hereby and shall be excepted out of the security interest hereby or by any other instrument supplemental hereto created and does not and shall not form part of the Collateral but Debtor shall stand possessed of the reversion remaining in Debtor of any leasehold interest forming part of the Collateral upon trust to assign and dispose thereof as Bank may after default hereunder direct.

4. REPRESENTATION & WARRANTIES

- Debtor represents and warrants as follows:
  - (a) Debtor (if a natural person or persons) is of legal age, (if a company) is duly organized and existing under the laws of its incorporating jurisdiction and is duly qualified and in good standing under the laws of such jurisdiction and of every other jurisdiction in which the nature of its activities makes such qualification necessary;
  - (b) the execution, delivery and performance hereof are within Debtor's corporate powers, have been duly authorized by all necessary corporate action and are not in contravention

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of any instrument or instrument: which Debtor has been incorporated or continued or any instrument amending any such instrument or any internal regulation of Debtor or any law or any indenture, agreement or undertaking to which Debtor is a party or by which it is bound;

- (c) all financial statements, certificates and other information concerning Debtor's financial condition or otherwise from time to time furnished by Debtor to Bank are and shall be in all respects a complete, correct and fair presentation of the affairs of Debtor stated in accordance with generally accepted accounting principles applied on a consistent basis;
- (d) there has been no material adverse change in Debtor's position, financial or otherwise, from that indicated by the financial statements which have been delivered to Bank and there are no actions, suits or proceedings pending or, to the knowledge of Debtor, threatened against Debtor except such as have been disclosed in writing to and approved in writing by Bank;
- (e) the Collateral and all property and assets indicated by the financial statements which have been delivered to Bank to be owned by Debtor are owned and lawfully possessed by Debtor free of Encumbrances save for Permitted Encumbrances; and Debtor has good right and authority to mortgage and charge the Collateral as provided for herein, free and clear of Encumbrances (other than Permitted Encumbrances);
- (f) the Collateral (other than Intangibles) is located at the premises identified in Schedule "B" hereto and none of the Collateral is or shall be consumer goods.

#### 5. POSITIVE COVENANTS OF DEBTOR

Debtor hereby covenants and agrees that it shall:

- (a) notify Bank in writing of any discontinuance of the place where the Collateral is located or kept or of any change of name of Debtor or of Debtor's chief place of business and shall keep Bank constantly advised of the places where its books of account and records, including all records of the Collateral and the dispositions made thereof by Debtor and of its accounts and all collections thereon, are kept and maintained, and forthwith upon the removal of any of the Collateral to any jurisdiction in which any registration hereof may not be effective to protect the security hereby created, deliver to the Bank a certificate of Debtor stating the time of removal, what is being removed and the new locality, and shall effect such further registration as may be required by Bank to protect the security hereby created and Debtor shall not remove any such property from Canada without the prior written consent of the Bank;
- (b) keep the Collateral free from Encumbrances other than Permitted Encumbrances;
- (c) at its expense and on the request of Bank, execute and deliver such further agreements supplemental hereto, which shall thereafter form part hereof, for the purpose of mortgaging to Bank and granting a security interest to Bank in any property now owned or hereafter acquired by Debtor and falling within the description of the Collateral, for correcting and amplifying the description of any property hereby secured or intended so to be, or for any other purpose not inconsistent with the terms of this Security Agreement; and shall at the expense and at the request of Bank execute and deliver all financing statements and other instruments as may be required for the purpose of effecting registration regarding the security hereof;
- (d) pay all costs and expenses (including legal fees on a solicitor and his own client basis) of the Bank incidental to the preparation, execution and filing of this Security Agreement;
- (e) punctually pay and discharge every obligation, failure to pay or discharge which might result in any lien or charge or right of distress, forfeiture, termination or sale or any other remedy being enforced against the Collateral and provide to Bank when required satisfactory evidence of such

payment: discharge but Debtor may on giving the Bank such security (if any) as Bank may require refrain from paying or discharging any obligation so long as it contests in good faith its liability therefor;

- (f) maintain its corporate existence, diligently preserve all its rights, licences, powers, privileges, franchises and goodwill; observe and perform all of its obligations and comply with all conditions under leases, licences and other agreements to which it is a party or upon or under which any of the Collateral is held; carry on and conduct its business in an efficient and proper manner so as to preserve and protect the Collateral and income therefrom; keep proper books of account with correct entries of all transactions in relation to its business; observe and conform to all valid requirements of law and of any governmental or municipal authority relating to the Collateral or the carrying on by Debtor of its business;
- (g) maintain insurance in a company not disapproved by Bank upon the Collateral to the full insurable value thereof in lawful money of Canada against risks of fire, theft and including so-called extended coverage and such other risks as Bank may from time to time specify, which insurance shall at all times be subject to mortgage clauses in a form approved by Bank, and Debtor shall forthwith assign, transfer and deliver unto Bank the policy or policies of such insurance and forthwith on the happening of any loss or damage shall furnish at its expense all necessary proofs and do all necessary acts to enable Bank to obtain payment of the insurance monies;
- (h) repair and keep in repair and in good order and condition all property, including the Collateral, the use of which is necessary or advantageous in connection with its business;
- (i) at all reasonable times allow Bank access to its premises in order to view the state and condition of its property and to inspect its books and records and to make extracts therefrom; and provide to Bank any such information concerning its financial position and business operations which Bank may from time to time request;
- (j) deliver to Bank within 90 days after the end of each financial year of Debtor a detailed report of independent auditors of Debtor, qualified and entitled to carry on the practice of public accounting and auditing, in respect of such financial year, accompanied by a detailed balance sheet as of the end of, and profit and loss statements for, the period in question, together with all supporting schedules, all of which shall be signed by an authorized officer of Debtor and all of which financial statements shall be prepared in accordance with generally accepted accounting principles applied in a consistent manner; and
- (k) give written notice to Bank of all litigation before any court, administrative board or other tribunal affecting Debtor or its property.

#### 6. NEGATIVE COVENANTS OF DEBTOR

- Debtor shall not without the prior consent in writing of Bank:
- (a) remove, sell, destroy or authorize or permit to be removed, sold or destroyed any of the Collateral except:
    - (i) in the case of Equipment, for the purpose of immediately replacing the same by other Equipment of a similar nature or of a more useful or convenient character and of at least equal value;
    - (ii) in the case of Inventory and Monies, in the ordinary course of the business of Debtor and for the purpose for carrying on the same; or
  - (b) change its financial year.

#### 7. EVENTS OF DEFAULT

Debtor shall be in default under this Security Agreement and all the rights and remedies hereby conferred in respect of the Collateral shall become immediately enforceable and any and all additional collateral securities shall become immediately enforceable upon the occurrence of any one of the following events (the "Events of Default")

- (a) if default occurs under any of the Conditions;
- (b) if any act, matter or thing is done toward, or any action or proceeding is launched, had or taken for terminating the corporate existence of Debtor whether by winding-up, surrender of charter or otherwise;
- (c) if Debtor commits any act of bankruptcy as defined in the Bankruptcy Act (Canada) or becomes an "insolvent person" within the meaning of the said Act;
- (d) if Debtor ceases or threatens to cease to carry on its business or make or proposes to make any sale of the Collateral in bulk or any sale of the Collateral out of the usual course of its business;
- (e) if any proposal is made or any petition is filed by Debtor under any law having for its purpose the extension of time for payment, composition or compromise of the liabilities of Debtor;
- (f) if any receiver, administrator or manager of the property, assets or undertaking of Debtor is appointed pursuant to the terms of any trust deed, trust indenture, debenture or similar instrument or by or under any judgment or order of any court;
- (g) if any Encumbrance affecting the Collateral becomes enforceable thereon, any execution, distress or other process of any court becomes enforceable against any of the property of the Company or a distress or like process is levied upon any of such property;
- (h) if Debtor permits any sum which has been admitted as due by it or is not disputed to be due by it and which forms, or is capable of being made, a charge upon any of the Collateral in priority to, or pari passu with, the charge created by this Security Agreement to remain unpaid for thirty (30) days after proceedings have been taken to enforce the same as such charge;
- (i) if any representation or warranty herein contained or made in relation hereto is not true or any balance sheet or other financial statement or any other information furnished to the Bank pursuant to the provisions hereof is false or misleading in any material respect;
- (j) if Debtor fails to pay, when due, any money which may at any time or from time to time hereafter, be or become due or owing by Debtor to the Bank (whether or not payable pursuant hereto) or to any person not dealing at arm's length (as that expression is defined in the Income Tax Act (Canada)) with Bank, or makes default in the due and faithful performance, according to its terms, of any covenant, agreement, undertaking or promise on the part of Debtor in favour of Bank, whether or not contained herein, or in favour of any person not dealing with Bank as aforesaid, whether any such covenant, agreement, undertaking or promise now exists or is brought into existence or arises hereby or hereafter; and
- (k) if effective management or control of Debtor changes directly or indirectly by any sale, encumbrance, issuance or disposition of shares in the capital stock of Debtor or otherwise.

#### 8. REMEDIES

- (1) Upon the happening of any Events of Default, Bank may by instrument in writing declare that the security hereof has become enforceable, and the Bank shall have the following rights and powers:
  - (a) to enter into possession of all or any part of the Collateral;
  - (b) to remove all or any part of the Collateral to such place as the Bank deems advisable;
  - (c) to preserve and maintain the Collateral and make any such replacements thereof and additions thereto as it shall deem advisable;

- (d) after entry by its officers or agents or without entry, to sell, lease or otherwise dispose in any way whatsoever of all or any part of the Collateral either en bloc or separately at public auction or by tender or by private agreement and at such time or times and on such terms and conditions as Bank in its absolute discretion may determine without the concurrence of Debtor and, except as otherwise provided by applicable law, without notice to Debtor; but it shall not be incumbent on Bank to sell, lease or otherwise dispose of the Collateral and it shall be lawful for Bank peaceably to use and possess the same without hinderance or interruption by Debtor or any other person or persons whomsoever;
  - (e) by instrument in writing to appoint any person or persons (whether an officer or officers of the Bank or not), firm or firms, corporation or corporations to be a receiver or receivers (hereinafter called the "Receiver") of the Collateral and to remove any Receiver so appointed and appoint another or others in his stead;
  - (f) to proceed in any court of competent jurisdiction for the appointment of a Receiver of all or any part of the Collateral;
  - (g) to take any other remedy of proceeding authorized or permitted hereby or by law or equity or by the P.P.S.A.
- (2) Without limiting the generality of the foregoing, it shall be lawful for Bank:
- (a) to make any sale, lease or other disposition of the Collateral either for cash or upon credit or partly for one and partly for the other upon such conditions as to terms of payment as it in its absolute discretion may deem proper;
  - (b) to rescind or vary any contract for sale, lease or other disposition that Bank may have entered into pursuant hereto and resell, release or redispense of the Collateral with or under any of the powers conferred herein;
  - (c) to stop, suspend or adjourn any sale, lease or other disposition from time to time and to hold the same as adjourned without further notice.

Upon such sale, lease, or other disposition Bank shall be accountable only for money actually received by it. Bank may deliver to the purchaser or purchasers of the Collateral of any part thereof good and sufficient conveyances or deeds for the same free and clear of any claim by Debtor. The purchaser or lessee receiving any disposition of the Collateral or any part thereof need not inquire whether default under this Security Agreement has actually occurred but may as to this and all other matters rely upon a statutory declaration of an officer of Bank, which declaration shall be conclusive evidence as between Debtor and any such purchaser or lessee, and need not look to the application of the purchase money, rent or other consideration given upon such sale, lease or other disposition, which shall not be affected by any irregularity of any nature or kind relating to the crystallizing or enforcing of the security or the taking of possession of the Collateral or the sale, lease or other disposition thereof.

- (3) Any Receiver so appointed shall have the power without legal process to:
  - (a) exercise any of the powers of Bank under this Security Agreement; and
  - (b) carry on the business of Debtor or any parts thereof in the name of Debtor or of the Receiver.

Without in any way limiting the foregoing the Receiver shall have all the powers of a receiver appointed by a court of competent jurisdiction. Any Receiver shall, so far as concerns responsibility for his acts, be deemed the agent of Debtor and Bank shall not be in any way responsible for any misconduct or negligence on the part of any Receiver or any loss resulting therefrom. Except as otherwise directed by Bank all monies received from time to time by the Receiver in carrying out his appointment shall be received in trust for and paid over to Bank.

- (4) Upon Bank declaring that the security hereof has become enforceable or Debtor receiving notice from Bank of the taking of possession of any of the Collateral or the appointment of a Receiver, all the powers, functions, rights and privileges of the directors and officers of Debtor with respect to the Collateral, business and undertaking of Debtor shall cease except to the extent specifically continued at any time by Bank in writing.
- (5) No remedy for the realization of the security hereof or for the enforcement of any right of Bank shall be exclusive of or dependent on any other remedy, and all or any of such remedies may from time to time be exercised independently or in combination.
9. COSTS  
The costs of any Receiver with respect to, and all expenditures made by any Receiver in the course of, doing anything hereby permitted to be done by such Receiver, and the cost of any sale proceedings hereunder, whether such sale proves abortive or not, and all costs, charges and expenses incurred in inspecting the Collateral (which Bank shall be entitled to do) or in or about taking, recovering or keeping possession of any of the Collateral or enforcing any of the personal remedies under these presents or by reason of non-payment or in procuring payment of the monies hereby secured or in the preparation and delivery of this Security Agreement or any other document which Bank's counsel may deem requisite in connection therewith shall be payable forthwith by Debtor and shall be secured hereby. Without limiting the generality of the foregoing such costs shall extend to and include any legal costs incurred by or on behalf of Bank as between solicitor and his own client.
10. WAIVER  
The Bank may waive any breach by Debtor of any of the provisions contained in this Security Agreement or any default by Debtor in the observance or performance of any covenant or condition required to be observed or performed by Debtor under the terms of this Security Agreement, but no waiver or consent shall be effective unless made in writing and signed by an authorized officer of Bank and no act or omission of Bank shall extend to, or be taken in any manner whatsoever to affect, any subsequent breach or default or the rights resulting therefrom.
11. POWER OF ATTORNEY  
Debtor for valuable consideration irrevocably appoints Bank and its officers from time to time or any of them to be the attorneys of Debtor in the name of and on behalf of Debtor to execute and to do any deeds, transfers, conveyances, assignments, assurances and things which Debtor ought to execute and do under the covenants and provisions herein contained and generally to use the name of Debtor in the exercise of all or any of the powers hereby conferred on Bank.
12. OTHER SECURITIES  
The rights of Bank hereunder shall not be prejudiced nor shall the liabilities of Debtor or of any other person be reduced in any way by the taking of any other security of any nature or kind whatsoever either at the time of execution of this Security Agreement or at any time hereafter.
13. BANK MAY REMEDY DEFAULT  
If Debtor fails to do anything hereby required to be done by it, the Bank may, but shall not be obliged to, do such thing and all sums thereby expended by the Bank shall be payable forthwith by Debtor, shall be secured hereby and shall have the benefit of the lien hereby created, but no such performance by Bank shall be deemed to relieve Debtor from any default hereunder.
14. NOTICE  
Except in the event of a disruption in postal service, any notice given hereunder to Debtor shall be conclusively deemed to have been given and received upon the date next following the day upon which it is mailed in Canada by prepaid registered post addressed to Debtor at its place of business herein set out or at any such other address as Debtor may have specified by notice in writing given to Bank.
15. EFFECT OF HEADINGS  
The headings of the sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this Security Agreement.
16. INTERPRETATION  
This Security Agreement shall be governed by and construed in accordance with the laws of the province where the branch of the Bank hereinbefore referred to is situate.
17. SUCCESSORS AND ASSIGNS, ETC.  
This Security Agreement and all its provisions shall enure to the benefit of Bank, its successors and assigns, and shall be binding upon Debtor, Debtor's Leirs, executors, administrators, successors and assigns, and time shall be in all respects of the essence hereof.
18. DEFINITIONS  
In this Security Agreement unless there is something in the subject matter or context inconsistent therewith:
- (a) "this Security Agreement", "hereto", "herein", "hereof", "hereby", "hereunder", and similar expressions refer to the whole of this Security Agreement and not to any particular article, section or other portion thereof and extend to and include any and every instrument supplemental or ancillary hereto or in implement hereof;
  - (b) "Bank" means Bank, its successors and assigns;
  - (c) "Encumbrances" means security interests, mortgages, hypothecs, pledges, liens, distress, charges or other claims or encumbrances of every nature or kind whatsoever;
  - (d) "Permitted Encumbrances" means the following:
    - (i) liens for taxes, assessments or government charges or levies not for the time being due and delinquent;
    - (ii) Encumbrances approved in writing by Bank;
  - (e) the "P.P.S.A." means the Personal Property Security Act in force for the time being in the jurisdiction the laws of which govern this Security Agreement;
  - (f) all terms which are defined in the P.P.S.A. shall have the same meaning where used herein;
  - (g) words importing the singular number only include the plural and vice versa and words importing the masculine gender include the feminine gender and words importing persons include firms, corporations and vice versa.
19. APPROPRIATION OF PAYMENTS  
Any and all payments made at any time in respect of the Obligations and the proceeds realized from any securities held therefor (including monies realized from the enforcement of this security agreement) may be applied (and reapplied from time to time notwithstanding any previous application) to such part or parts of the Obligations as the Bank sees fit. Debtor shall be accountable for any deficiency and Bank shall be accountable for any surplus.
20. SCHEDULE  
Any provision set forth in Schedule "C" hereto forms part hereof to the same extent and effect as if set forth in the body hereof.
21. COPY  
Debtor acknowledges receiving a copy of this Security Agreement.

IN WITNESS WHEREOF Debtor has executed this Security Agreement this 19th day of May,

19 83

J. H. McNAIRN LIMITED  
Name of Debtor

(By its authorized officers:)

WITNESS



Per: [Signature] (Seal)  
**President** (Signature & Title)

\_\_\_\_\_  
(Signature & Title) (Seal)

Carrying on business as:

\_\_\_\_\_  
125 Consumers Drive  
(Chief Place of Business)

Whitby, Ontario L1N 1C4  
(City, Town, etc. & Province)

For individual, insert first given name, initial of second given name, if any, then surname.

Full Name and Address \_\_\_\_\_

If given by individual(s)

Date of Birth

Sex

Day Month Year

M F

SCHEDULE "A"

(Collateral)



SCHEDULE "B"

(Premises)

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the Town of Whitby, being the whole of Lot 4, according to a plan registered in the Registry Division for the Registry Division of the County of Ontario as No. 871, and known for municipal purposes as 125 Consumers Drive, Whitby.

SCHEDULE "C"

ADDITIONAL PROVISIONS

The Company shall not so long as any monies payable hereunder remain unpaid, without the prior consent in writing of the Bank:

- a) reduce or make any distribution of its capital, or redeem, purchase, or otherwise retire or pay for any shares in its present or future capital stock;
- b) create, allot or issue any shares in its capital, change its capital structure, enter into any agreement, or make any offer, to do so or permit any subsidiary to do any such thing with respect to the capital or capital structure of such subsidiary;
- c) purchase, establish or acquire in any manner any new business undertaking, materially change the nature of the Company's business as presently carried on, amalgamate or enter into a partnership, joint venture or syndicate with any other person or acquire or establish any subsidiary;
- d) permit any subsidiary to create or permit to arise any Encumbrance upon its undertaking or any of its assets except in favour of the Bank;
- e) declare or pay any dividends (including stock dividends) upon any present or future capital stock of the Company;
- f) ~~In any financial year of the Company, declare or pay any dividends (including stock dividends) upon any present or future capital stock of the Company where the amount of all such dividends declared or paid in such year exceeds or will exceed \_\_\_\_\_ % of consolidated after tax profit for such year;~~
- g) ~~In any financial year of the Company, declare or pay any dividends (including stock dividends) upon any present or future capital stock of the Company where the amount of all such dividends declared or paid in such year exceeds or will exceed \_\_\_\_\_ % of consolidated after tax profit for such year;~~
- h) in any calendar year make any capital expenditure or any commitment for capital expenditure or incur any indebtedness for capital expenditure or permit any subsidiary to do any such thing where the combined amount of all such expenditures and commitments made and indebtedness incurred by the Company and all its subsidiaries exceeds or will exceed the sum of \$ 50,000 ;
- i) make or repay or permit any subsidiary to make or repay any loan to any shareholder, officer, director or employee of the Company or of any subsidiary or to any person not dealing at arm's length (as that expression is defined in the Income Tax Act (Canada)) with the Company or any subsidiary or with any shareholder, officer, director or employee of the Company or of any subsidiary;
- j) in any calendar year pay or permit any subsidiary to pay salaries, wages, bonuses, benefits, management fees, directors' fees or other remuneration to President, Vice-President Secretary Treasurer or persons not dealing at arm's length (as that expression is defined in the Income Tax Act (Canada)) with any of them where the combined amount of all such payments made to all such persons during such year by the Company and all its subsidiaries exceeds or will exceed ~~the amount of~~ the amount paid in the previous year plus 10%;
- k) in any calendar year create, issue, incur, assume or otherwise become liable upon, directly or indirectly, any funded indebtedness or permit any subsidiary to do any such thing where the amount of all such indebtedness created, issued, incurred, assumed or otherwise arising in such year exceeds or will exceed the sum of \$ 20,000 .;
- l) permit tangible net worth to fall at any time below \$ 650,000 .;

- m) ~~permit consolidated tangible net worth to fall at any time below \$XXXXXXXXXXXX~~
  - n) permit working capital to fall at any time below \$ 300,000 ;
  - o) ~~permit consolidated working capital to fall at any time below \$XXXXXXXXXXXX~~
  - p) permit the amount of current assets to fall at any time below (1.1) times the amount of current liabilities;
  - q) ~~permit the amount of consolidated current assets to fall at any time below (1.1 times) the amount of consolidated current liabilities;~~
2. If at any time the Company or any subsidiary wishes to create any funded indebtedness, the Company shall, before such indebtedness is created, offer or cause to be offered the same to the Bank, setting forth in writing the proposed terms and conditions of such indebtedness (including proposed application of funds, repayment schedule, interest rate and security) and shall supply any other information requested by the Bank in connection with the proposed indebtedness. If the Bank declines to acquire the proposed indebtedness, such indebtedness may, subject to all other provisions hereof, including any requirement for a further consent by the Bank, be acquired by another lender on terms substantially as proposed to the Bank.
3. In Schedule "C":
- (i) "after-tax profit" means the unconsolidated net income of the Company for the period in question, after provision for taxes respecting such income, extraordinary items, capital gains and capital losses, determined in accordance with generally accepted accounting principles applied in a consistent manner;
  - (ii) "capital expenditure" means any expenditure which would in accordance with generally accepted accounting principles applied in a consistent manner be chargeable to capital or fixed asset accounts and includes the total of all installments of rental expressed to be payable during the whole term of each lease of real or personal property;
  - (iii) "consolidated after-tax profit" means the consolidated net income of the Company and all subsidiaries for the period in question, after provision for taxes respecting such income, extraordinary items, capital gains, capital losses and minority interests determined in accordance with generally accepted accounting principles applied in a consistent manner;
  - (iv) "consolidated current assets" means the current assets of the Company and the current assets of all subsidiaries determined and consolidated in accordance with generally accepted accounting principles applied in a consistent manner but excluding amounts owing to the Company or to any subsidiary by any person not dealing at arm's length (as that expression is defined in the Income Tax Act (Canada)) with the Company or any subsidiary except in respect of credit extended on normal trade terms arising on the sale of stock-in-trade in the ordinary course of business;
  - (v) "consolidated current liabilities" means the liabilities of the Company and the liabilities of all subsidiaries which are payable within twelve months from the date as of which the determination of such liabilities is being made determined and consolidated in accordance with generally accepted accounting principles applied in a consistent manner, including the portion of funded indebtedness which is due within twelve months from such date;

*Handwritten initials and marks:*  
 - "NCS" written vertically on the left margin next to items f, g, h, j, k, l.  
 - "NCS" written vertically on the right margin next to items m, n, o, p, q.  
 - "NCS" written at the top right of the page.  
 - "NCS" written at the bottom left of the page.

- (vi) "consolidated tangible net worth" means the book value of shareholders' equity in the Company, plus any loans made by the shareholders to the Company and effectively postponed in favour of the Bank, less the book value of intangible assets such as goodwill, franchises, patent rights, copyrights and trademarks and less any appraisal increase credit, all determined on a consolidated basis for the Company and its subsidiaries in accordance with generally accepted accounting principles applied in a consistent manner;
- (vii) "consolidated working capital" means the amount (if any) by which the amount of consolidated current assets exceeds the amount of consolidated current liabilities;
- (viii) "current assets" means the unconsolidated current assets of the Company determined in accordance with generally accepted accounting principles applied in a consistent manner but excluding amounts owing to the Company by any person not dealing at arm's length (as that expression is defined in the Income Tax Act (Canada)) with the Company except in respect of credit extended on normal trade terms arising on the sale of stock-in-trade in the ordinary course of business;
- (ix) "current liabilities" means the unconsolidated liabilities of the Company which are payable within twelve months from the date as of which the determination of such liabilities is being made determined in accordance with generally accepted accounting principles applied in a consistent manner, including the portion of funded indebtedness which is due within twelve months from such date;
- (x) "funded indebtedness" means all indebtedness of the Company and all indebtedness of all subsidiaries which would in accordance with generally accepted accounting principles applied in a consistent manner be classified as indebtedness, including indebtedness guaranteed by the Company or any subsidiary, the time for due payment of which extends or is intended to extend more than twelve months from the date as of which the determination of funded indebtedness is being made, and the total of all installments of rental expressed to be payable during the whole term of each restricted lease;
- (xi) "restricted lease" means any lease of real or personal property the unexpired term or intended term of which (including any periods for which the lease may be renewed at the option of the lessor or the lessee) is more than twelve months;
- (xii) "subsidiary" means a corporation in which the Company owns, directly and/or indirectly through one or more subsidiaries, a majority of shares carrying the right to elect at least a majority of the members of the board of directors;
- (xiii) "tangible net worth" means the book value of shareholders' equity in the Company, plus any loans made by the shareholders to the Company and effectively postponed in favour of the Bank, less the book value of intangible assets such as goodwill, franchises, patent rights, copyrights and trademarks and any appraisal increase credit, all determined on an unconsolidated basis for the Company in accordance with generally accepted accounting principles applied in a consistent manner;
- (xiv) "working capital" means the amount (if any) by which the amount of current assets exceeds the amount of current liabilities.

**Acknowledgement and Confirmation  
(New facility letter, existing security)**

**TO: HSBC BANK CANADA (the "Bank")**

**RE: Facility letter dated June 23, 1999 (as amended, modified or replaced from time to time, the "Facility Letter") issued by the Bank in favour of J. H. MCNAIRN LIMITED (the "Borrower")**

**WHEREAS the Borrower granted certain security (as amended, modified or replaced from time to time, the "Existing Security") including, without limitation, the security listed on Schedule "A" attached hereto, as collateral security for all indebtedness and liability of the Borrower to the Bank (the "Old Obligations");**

**AND WHEREAS pursuant to the Facility Letter, which supersedes and cancels all credit facilities entered into between the Bank and the Borrower, the Borrower agreed to acknowledge and confirm the continued validity and effect of all Existing Security as collateral security for the new obligations of the Borrower as outlined in the Facility Letter (the "New Obligations").**


**NOW THEREFORE THIS ACKNOWLEDGEMENT AND CONFIRMATION WITNESSES THAT in consideration of the sum of TWO (\$2.00) DOLLARS and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrower hereby agrees with the Bank as follows:**

- 1. the Borrower hereby acknowledges the terms of the Facility Letter and the New Obligations arising thereunder;**
- 2. the Existing Security shall constitute, and shall be held by the Bank as, general and continuing collateral security for the payment and fulfilment of all debts, liabilities and obligations, present or future, direct or indirect, contingent or not, matured or not, of the Borrower to the Bank including, without limitation, the New Obligations;**
- 3. the Bank shall have against the Borrower pursuant to the Existing Security in respect of its New Obligations any right and remedy which the Bank would or could have had against the Borrower in respect of the Old Obligations;**
- 4. in order to give such effect, the Facility Letter, Existing Security and all related documents shall be deemed to be amended accordingly; and**

5. nothing herein shall release or affect any other party to the Existing Security or the Facility Letter against which all remedies are preserved.

DATED as of July 30, 1999.

J. H. MCNAIRN LIMITED

By:  \_\_\_\_\_ C/S  
Name: Kenneth W. A. Miller  
Title: President

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**SCHEDULE "A"**

**(Description of Security)**

1. General Assignment of Accounts Receivable dated May 19, 1983 given by the Borrower in favour of the Bank.
2. General Security Agreement dated May 19, 1983 given by the Borrower in favour of the Bank.
3. Agreements dated May 26, 1997 relating to the granting by the Borrower of security in favour of the Bank pursuant to subsection 427(1) of the *Bank Act* including, without limitation, a notice of intention, an agreement as to loans and advances and an application for credit and security.
4. Chattel Security Agreement dated September 22, 1994 given by the Borrower in favour of the Bank.
5. Demand debenture dated May 19, 1993 in the principal amount of \$1,500,000.00 given by the Borrower in favour of the Bank.