

05-16-2001



U.S. Department of Commerce  
Patent and Trademark Office

ET

5-16-01

101719215

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

1. Name of conveying party(ies):

596042 Ontario Limited

- Individual(s)
- General Partnership
- Corporation- Canada
- Other

- Association
- Limited Partnership

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

2. Name and Address of receiving party(ies)

Name: RoyNat Inc.

Address: 40 King Street West, 26th Floor  
Toronto, Ontario  
M5H 1H1, Canada

3. Nature of conveyance:

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

Execution Date: January 23, 2001

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation -
- 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 assignment)  
Additional name(s) & address(es) attached?  Yes  No

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

A. Trademark Application No.(s) 74/247752

B. Trademark Registration No.(s)

Additional numbers attached?  Yes  No

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

Midge M. Hyman, Esq.  
Cowan, Liebowitz & Latman, P.C.  
1133 Avenue of the Americas  
New York, NY 10036-6799

6. Total number of applications and registrations involved: 1

7. Total fee (37 CFR 3.41)..... \$ 40.00

- Enclosed
- Any deficiency is authorized to be charged to Deposit Account No. 03-3415.

8. Deposit Account No. 03-3415

(Attach duplicate copy of this page if paying by deposit account)

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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.

Midge M. Hyman  
Name of Person Signing

Midge M. Hyman  
Signature

5/14/01  
Date

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

Mail to: U.S. Patent and Trademark Office, Office of Public Records, Crystal Gateway 4, Room 335, Washington, DC 20231

Atty Ref: 23137.96

**IN THE UNITED STATES PATENT AND TRADE MARK OFFICE**

In re Registration of: RoyNat Inc. :

Registration No.: 1,847,800 :

Dated: August 2, 1994 :

Mark: **LE BON CROISSANT** :

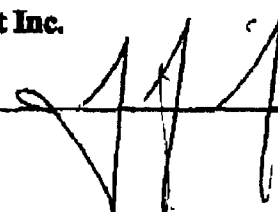
**BAKERS OF QUALITY PRODUCTS** :

Assistant Commissioner for Trademarks  
 Trademark Examining Operation  
 2900 Crystal Drive  
 Arlington, VA 22202-3515

**APPOINTMENT OF DOMESTIC REPRESENTATIVE**

With respect to the recordal of the attached Debenture Agreement against U.S. Registration No. 1,847,800, the undersigned appoints Midge Hyman, Arthur J. Greenbaum, William M. Borchard, Baila H. Caledonia, Mary L. Kevin, Lynn S. Fruchter, Jeffrey H. Epstein and all other attorneys of Cowan, Liebowitz & Latman, P.C., 1133 Avenue of the Americas, New York, New York 10036-6799 are hereby appointed applicant's domestic representative upon whom notices or process in proceedings affecting this mark may be served.

RoyNat Inc.

By:  \_\_\_\_\_

Name: STEVE MANSUETI

Title: DIRECTOR, MERCHANT BANKING

Dated:

TM/NO/23137/00/458875 .1

**DEBENTURE - FIXED RATE**

Issued to: **RoyNat Capital Inc.  
40 King Street West  
Toronto, Ontario  
MSH 1H1  
Facsimile No. (416) 933-2783**

**596042 ONTARIO LIMITED  
720 Burnhamthorpe Road West, Unit 28,  
Mississauga, Ontario L5C 3G1  
(905) 270-3001**

**DEBENTURE**

\$500,000.00

January 23, 2001

1. 596042 Ontario Limited (the "Company") for value received hereby promises to pay to RoyNat Capital Inc. ("RoyNat") on demand, at its address specified above, the principal amount of Five Hundred Thousand Dollars (\$500,000.00) in the manner hereinafter provided, together with all other moneys which may from time to time be owing hereunder or pursuant hereto.

2. Principal Payments. Subject to the provisions of this Debenture, the principal amount of this Debenture shall become due and payable, together with interest thereon and all other monies owing hereunder, on the 15th day of January, 2006.

3. Interest. Interest shall be payable on the 15th day of each month on the balance from time to time outstanding of the principal amount of this Debenture, any overdue interest and any other monies due and payable hereunder, both before and after maturity, default or judgment, at 11% per annum (the "Loan Rate") calculated and compounded monthly, computed from the respective dates of advance of the moneys by RoyNat to the Company until payment in full of all moneys owing hereunder. The first interest payment date shall be January 15, 2001.

4. Redemption. This Debenture shall be non-redeemable, in whole or in part.

5. Partial Payments. In case less than the total principal amount of this Debenture is redeemed at any time, the principal amount so redeemed shall be credited against the principal payable hereunder in inverse order of maturity.

6. Security. As security for the payment of the principal, interest and all other moneys from time to time payable under this Debenture, and the performance by the Company of all its obligations hereunder, but subject to Permitted Encumbrances and to the exception as to leaseholds hereinafter contained, the Company hereby grants a security interest in and grants, assigns, mortgages and charges, as and by way of a first, fixed and specific mortgage and charge to and in favour of RoyNat:

- (a) all real and immovable property, both freehold and leasehold, now owned or hereafter acquired by the Company, together with all buildings, erections, fixed machinery and fixed equipment presently situated thereon or which may at any time hereafter be constructed or placed thereon or used in connection therewith, including without limitation the property described in Schedule B hereto;
- (b) all furniture, machinery, equipment, vehicles, accessories and other tangible personal property (other than Inventory) now owned or hereafter acquired by the Company, together with any proceeds of sale or disposition thereof, and including without limitation the property described in Schedule C hereto.

And for the same consideration and purposes and subject to the same exceptions, the Company hereby charges as and by way of a first floating charge to and in favour of RoyNat the undertaking of the Company and all its property and assets for the time being, both present and future, and of whatsoever nature and wherever situate (other than property and assets from time to time effectively subjected to the fixed and specific mortgages and charges created hereby or by any instrument supplemental hereto).

Provided that such floating charge shall not prevent the Company from time to time until the security hereby constituted shall have become enforceable from selling, leasing or otherwise disposing of the property, rights and assets included in such floating charge or from making expenditures with a view to the expansion of its business or from giving security constituting Permitted Encumbrances, all in the ordinary course of its business and subject to the provisions of this Debenture. In particular, the Company may give security to its bankers on its Inventory or by way of assignment of its accounts receivable (except to the extent such accounts receivable represent proceeds of the sale or disposition of property specifically mortgaged or charged hereunder or under any instrument supplemental hereto) and such security if validly perfected shall rank prior to the lien hereof on such assets without further action by RoyNat. Notwithstanding any other provision of this Debenture except as provided in the foregoing sentence, the security interests constituted hereby and by any supplemental security granted to RoyNat shall not be subordinate to, nor is there any intention to subordinate such security interests to, any Permitted Encumbrances or security interests held by others.

All security interests created by this Debenture attach immediately upon execution of the Debenture. The attachment of the floating charge has not been postponed and the floating charge shall attach to any particular property intended to be subject to it as soon as the Company has rights in such property.

All property and assets of the Company whether specifically charged or subjected to the floating charge are hereinafter referred to as the "Mortgaged Premises".

7. Exception as to Leaseholds. It is hereby declared that the last day of any term of years reserved by any lease or sublease, verbal or written, or any agreement therefor, now held or hereafter acquired by the Company is excepted out of the Mortgaged Premises, but the Company shall stand possessed of any such reversion upon trust to assign and dispose thereof as RoyNat may direct.

8. Payments and Notice. Any payments not received by RoyNat by two o'clock p.m. on a Business Day shall be deemed to have been received on the next Business Day. Any notice required or desired to be given hereunder or under any Offer of Finance or under any instrument supplemental hereto shall be in writing and may be given by personal delivery, by facsimile or other means of electronic communication or by sending the same by registered mail, postage prepaid, to RoyNat or to the Company at their respective addresses set out above and, in the case of electronic communication, to the facsimile numbers set out above. Any notice so delivered shall be conclusively deemed given when personally delivered and any notice sent by facsimile or other means of electronic transmission shall be deemed to have been delivered on the Business Day following the sending of the notice, and any notice so mailed shall be conclusively deemed given on the third Business Day following the day of mailing, provided that in the event of a known disruption of postal service, notice shall not be given by mail. Any address for notice or payments herein referred to may be changed by notice in writing given pursuant hereto.

9. Covenants.

- (a) This Debenture is issued subject to and with the benefit of all the covenants, terms and conditions in Schedule A hereto which Schedule forms a part hereof.
- (b) In addition to such covenants, terms and conditions, the Company covenants with RoyNat that so long as this Debenture remains outstanding the Company shall:
  - (i) execute and deliver all such documents as may be necessary to maintain in force the pre-authorized payment system specified in the Offer of Finance;
  - (ii) not permit the Working Capital Ratio to fall below 1.15:1.

10. Offer of Finance. This Debenture is being issued by the Company to RoyNat pursuant to the terms of a certain letter agreement between the Company and RoyNat dated September 13, 2000 (such letter agreement including any amendments thereto being herein called the "Offer of Finance"). All terms and conditions of the Offer of Finance shall remain in full force and effect, except to the extent inconsistent with the provisions of this Debenture.

11. Maximum Recovery. If any amounts, whether on account of interest, fees, bonus or additional consideration, becomes payable to or is received by RoyNat pursuant to this Debenture, the Offer of Finance, any other security document or other agreement which would exceed the maximum amount recoverable under applicable law on moneys advanced by RoyNat:

- (a) any amounts so payable shall be reduced and are hereby limited to the maximum amount recoverable under applicable law;
- (b) any amounts so received by RoyNat shall, at RoyNat's option, either be returned to the Company or, notwithstanding Section 4 hereof, be deemed to have been received by RoyNat as a partial redemption of this Debenture and shall be credited against principal payable hereunder in inverse order of maturity; and
- (c) if paragraph (a) requires the reduction in an amount or amounts payable to RoyNat, RoyNat in its sole discretion shall determine which amount or amounts shall be reduced to ensure compliance with this Section 11.

12. Extensions and Amendments. Any agreement for the extension of the time of payment of the moneys hereby secured or any part thereof made at, before or after maturity, and prior to the execution of a discharge or release of this Debenture, or any agreement for altering the term, rate of interest (whether increased or decreased), the amount of the principal payments hereunder or any other covenant or condition hereof, need not be registered in any office of public record but shall be effectual and binding upon the Company and upon every subsequent mortgagee, chargee, encumbrancer or other person claiming an interest in the Mortgaged Premises or any part thereof when executed by the Company and delivered to RoyNat.

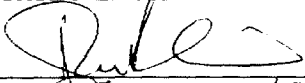
13. Receipt. The Company hereby acknowledges receipt of a true copy of this Debenture and, to the extent permitted by law, waives all rights to receive from RoyNat a copy of any financing statement or financing change statement filed, or any verification statement received, at any time in respect of this Debenture or any supplemental or collateral security granted to RoyNat.

14. Binding Effect, Governing Law and Headings. These presents are binding upon the parties hereto and their respective successors and assigns. This Debenture shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. The division of this Debenture into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Debenture.

15. Invalidity, etc. Each of the provisions contained in this Debenture is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of Debenture.

IN WITNESS WHEREOF the Company has executed this Debenture.

596042 ONTARIO LIMITED

By:   
 Name: \_\_\_\_\_  
 Title: PRESIDENT

c/s

\_\_\_\_\_  
 Name:  
 Title:

## SCHEDULE A

### 1. THE COMPANY HEREBY DECLARES, COVENANTS AND AGREES THAT IT:

- (a) **As to Title** - is the sole legal and beneficial owner of the Mortgaged Premises, except for the Mortgaged Premises described on Schedule B in respect of which it is the sole legal and beneficial owner of the leasehold estate described therein, and owns the same free of all encumbrances other than Permitted Encumbrances;
- (b) **Future Acquisitions** - shall at its expense on the request of RoyNat, execute and deliver to RoyNat such further assurances and documents as RoyNat may require to perfect RoyNat's security on all or any part of the Mortgaged Premises, or to specifically charge any or all of the property then subject to the floating charge created hereby;
- (c) **Pay Costs** - shall pay all costs and expenses (including legal fees and disbursements on a solicitor and own client basis) of RoyNat incidental to or which in any way relates to this Debenture or its enforcement including (i) the preparation, execution and filing of this Debenture and any instruments postponing, discharging, amending, extending or supplemental to this Debenture or any security required by any Offer of Finance ("RoyNat's Security"); (ii) perfecting and keeping perfected RoyNat's Security; (iii) maintaining the intended priority of RoyNat's Security on all or any part of the Mortgaged Premises; (iv) taking, recovering or possessing the Mortgaged Premises; (v) taking any actions or other proceedings to enforce the remedies provided herein or otherwise in relation to this Debenture or the Mortgaged Premises, or by reason of a default hereunder or the non-payment of the moneys hereby secured; (vi) taking proceedings, giving notices and giving responses required under any applicable law concerning or relating to RoyNat's Security, including compliance with the provisions of applicable bankruptcy, insolvency, personal property security and mortgage enforcement legislation; (vii) any inspections required to be made to the Mortgaged Premises, or the review of any plans, specifications or other documentation which may require the approval or consent of RoyNat; (viii) responding to or participating in proceedings in the nature of those described in Sections 9(e), (f) and (g) hereof; and (ix) obtaining the advice of counsel and other advisors in relation to the foregoing;
- all such costs and expenses and other monies payable hereunder, together with interest at the Loan Rate, shall be payable on demand and shall upon being incurred by RoyNat be secured hereby and constitute a charge on the Mortgaged Premises and any proceeds of realization;
- (d) **To Pay Rents and Taxes** - shall pay all rents, taxes and assessments lawfully imposed upon the Mortgaged Premises or any part thereof and upon the income and profits of the Company when the same become due and payable, shall show to RoyNat on request receipts for such payment;
- (e) **To Maintain Corporate Existence and Security** - shall maintain its corporate existence, shall keep the Mortgaged Premises in good condition and repair, shall maintain the security hereby created as a valid and effective security at all times so long as any moneys are outstanding hereunder, shall carry on and conduct its business in a proper and efficient manner and in accordance with all applicable law, shall not materially alter the kind of business carried on by it, shall advise RoyNat promptly in writing of any proposed change in its name, shall observe and perform all of its obligations under leases, licences and other agreements to which it is a party so as to preserve and protect the Mortgaged Premises and the income therefrom, and shall keep proper books of accounts with correct entries of all transactions in relation to its business;
- (f) **Not to Sell** - shall not, except as otherwise permitted hereunder, remove, destroy, lease, sell or otherwise dispose of any of the Mortgaged Premises; provided that the Company may sell or otherwise dispose of furniture, machinery, equipment, vehicles and accessories which have become worn out or damaged or otherwise unsuitable for their purposes on condition that it shall substitute therefor, subject to the lien hereof and free from prior liens or charges, property of equal value so that the security hereby constituted shall not thereby be in any way reduced or impaired;
- (g) **No Other Liens** - shall not create, assume or suffer to exist any charge, lien, security interest or encumbrance upon any Mortgaged Premises ranking or purporting to rank in priority to or pari passu with the security interest created hereunder, other than Permitted Encumbrances; provided that no provision hereof shall be construed as a subordination or postponement of the security interest created hereunder to or in favour of any other charge, lien, security interest or encumbrance, whether or not it is a Permitted Encumbrance;
- (h) **To Hold Proceeds of Unauthorized Sale in Trust** - in the event the Mortgaged Premises or any part thereof are sold or disposed of prior to the full discharge of this Debenture by RoyNat, in any manner not authorized by this Debenture, shall hold all proceeds of such sale or disposition received by the Company as trustee for RoyNat until the Company has been fully released from this Debenture by RoyNat;
- (i) **To Insure** - shall keep insured the Mortgaged Premises with reputable insurers approved by RoyNat in such amounts against loss or damage by fire and other causes or perils as RoyNat may reasonably require and shall pay all premiums necessary for such purposes as the same shall become due. All policies of insurance issued in respect of the Mortgaged Premises and all proceeds thereof are hereby assigned to RoyNat as security for the Company's obligations hereunder. Each policy of insurance shall show RoyNat as loss payee, as its interest may appear, shall contain such mortgage clauses as RoyNat may require, shall be in terms satisfactory to RoyNat and, at the request of RoyNat, shall be delivered to and held by RoyNat subject to the rights of holders of Permitted Encumbrances;
- (j) **To Furnish Proofs** - shall forthwith on the happening of any loss or damage furnish at its expense all necessary proofs and do all necessary acts to enable RoyNat to obtain payment of the insurance moneys subject to the rights of holders of Permitted Encumbrances;
- (k) **Inspection by RoyNat** - shall allow any employees or third parties retained by RoyNat at any reasonable time to enter the premises of the Company to inspect the Mortgaged Premises, including without limitation the right to undertake soil, ground water, environmental or other tests, measurements or surveys in, on or below the Mortgaged Premises, and to inspect the books and records of the Company and make extracts therefrom, and shall permit RoyNat prompt access to such other persons as RoyNat may deem necessary or desirable for the purposes of inspecting or verifying any matters relating to any part of the Mortgaged Premises or the books and records of the Company, provided that any information so obtained shall be kept confidential, save as required by RoyNat in

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exercising its rights hereunder or pursuant to any applicable law or court order. The Company shall pay all costs and expenses of third parties (including legal fees and disbursements on a solicitor and own client basis) retained by RoyNat for purposes of inspection under this Section 1(k);

- (l) **Deliver Financial Statements** - shall deliver to RoyNat within 90 days of the close of each financial year of the Company one copy of the audited annual financial statements for that year, including the balance sheet and statements of income, retained earnings and changes in financial position accompanied by the report of the Company's auditors, and such other statements or reports as may be required by RoyNat in the Offer of Finance, and within 45 days after the first half of each of the Company's financial years, one copy of the interim financial statements signed by an authorized officer of the Company, all of which financial statements shall be prepared in accordance with generally accepted accounting principles; and shall at the same time deliver to RoyNat copies of all management reports prepared by the auditors of the Company together with any other statements stipulated in the Offer of Finance;
- (m) **Not to Create Certain Charges** - without the prior written consent of RoyNat, shall not create or suffer to exist any charge or encumbrance over all or any portion of the Mortgaged Premises ranking or purporting to rank prior to or pari passu with the charges hereof, other than Permitted Encumbrances, and shall not permit any subsidiary to mortgage, charge or otherwise encumber any of its property or assets or issue any bonds, debentures, shares or other securities, except to the Company;
- (n) **Not to Remove** - prior to the removal of any of the Mortgaged Premises from the province in which it is situated at the date of this Debenture or to leasehold property, the Company shall effect such further registrations and obtain such other consents and give such other security, at the sole cost and expense of the Company, as may be required or desirable to protect or preserve the security hereby created, and the Company shall forthwith notify RoyNat of the intended removal and the action proposed to be taken.
- (o) **No Actions** - has received no notice of and has no knowledge of any pending, potential or threatened litigation or claim for judicial or administrative action which would adversely affect the Mortgaged Premises or their use or market value;
- (p) **Compliance with Environmental Laws** -
- (i) shall conduct and maintain its business, operations and the Mortgaged Premises so as to comply in all respects with all applicable Environmental Laws, including obtaining all necessary licenses, permits, consents and approvals required to own or operate the Mortgaged Premises and the business carried out on, at or from the Mortgaged Premises;
  - (ii) except as specifically permitted by RoyNat in writing, the Company shall not permit or suffer to exist, Contaminants or dangerous or potentially dangerous conditions in, on or below the Mortgaged Premises including, without limitation, any polychlorinated biphenyls, radio-active substances, underground storage tanks, asbestos or urea formaldehyde foam insulation;
  - (iii) has no knowledge of the existence of Contaminants or dangerous or potentially dangerous conditions at, on or under the Mortgaged Premises or any properties in the vicinity of the Mortgaged Premises which could affect the Mortgaged Premises or the market value thereof or in levels that exceed the standards in Environmental Laws;
  - (iv) has no knowledge of the Mortgaged Premises, or any portion thereof, having been used for the disposal of waste;
  - (v) has not given or received, nor does it have an obligation to give, any notice, claim, communication or information regarding any past, present, planned or threatened treatment, storage, disposal, presence, release or spill of any Contaminant at, on, under or from the Mortgaged Premises or any property in the vicinity of the Mortgaged Premises, including any notice pursuant to any Environmental Laws or any environmental report or audit. The Company shall notify RoyNat promptly and in reasonable detail upon receipt of any such claim, notice, communication or information or if the Company becomes aware of any violation or potential violation of the Company of any Environmental Laws and shall describe therein the action which the Company intends to take with respect to such matter;
  - (vi) shall at the Company's expense establish and maintain a system to assure and monitor continued compliance with, and to prevent the contravention of, Environmental Laws, which system shall include periodic reviews of such compliance system and the Company shall provide an annual report to RoyNat regarding the Company's environmental performance, and the effectiveness of such system;
  - (vii) shall promptly advise RoyNat in writing of any material adverse change in the environmental or other legal requirements affecting the Company or the Mortgaged Premises upon the Company becoming aware of any such change, and the Company shall provide RoyNat with a copy of any of the orders, by-laws, agreements or other documents pursuant to which any such change is effected or documented;
  - (viii) shall at the Company's expense promptly take or cause to be taken any and all necessary remedial or clean-up action in response to the presence, storage, use, disposal, transportation, release or discharge of any Contaminant in, on, under or about any of the Mortgaged Premises, or used by the Company, in compliance with all material laws including, without limitation, Environmental Laws, and in accordance with the orders and directions of all applicable federal, state, provincial, municipal and local governmental authorities;
  - (ix) shall deliver to RoyNat a true and complete copy of all environmental audits, evaluations, assessments, studies or tests relating to the Mortgaged Premises or the Company now in its possession or control or forthwith after the completion thereof, or upon such materials coming into the Company's possession or control;

- (x) shall at the Company's expense, if reasonably requested by RoyNat in writing, retain an environmental consultant acceptable to RoyNat, acting reasonably, to undertake environmental tests and to prepare a report or audit with respect to the Mortgaged Premises and deliver same to RoyNat for its review; and
- (xi) shall indemnify and save harmless RoyNat, its officers, directors, employees, agents and shareholders from and against all losses, liabilities, damages or costs (including legal fees and disbursements on a solicitor and own client basis) suffered including, without limitation, the cost or expense of any environmental investigation, the preparation of any environmental or similar report, and the costs of any remediation arising from or relating to any breach of the foregoing covenants of this Section 1(p), any breach by the Company or any other person now or hereafter having an interest in the Mortgaged Premises which is asserted or claimed against RoyNat; the presence, in any form, of any Contaminant on or under the Mortgaged Premises, or the discharge, release, spill or disposal of any contaminant by the Company, which is asserted or claimed against any of these indemnified persons. This indemnity shall survive the payment in full of all amounts secured hereunder and the discharge of this Debenture. RoyNat shall hold the benefit of this indemnity in trust for those indemnified persons who are not parties to this Debenture.

2. **Waiver of Covenants.** RoyNat may waive in writing any breach by the Company of any of the provisions contained in this Debenture or any default by the Company in the observance or performance of any covenant or condition required to be observed or performed by the Company hereunder, provided that no such waiver or any other act, failure to act or omission by RoyNat shall extend to or be taken in any manner to affect any subsequent breach or default or the rights of RoyNat resulting therefrom.

3. **Performance of Covenants by RoyNat.** If the Company shall fail to perform any covenant on its part herein contained, RoyNat may in its absolute discretion perform any such covenant capable of being performed by it, but RoyNat shall be under no obligation to do so. If any such covenant requires the payment of money or if the Mortgaged Premises or any part thereof shall become subject to any charge ranking in priority to the lien hereof, RoyNat may in its absolute discretion make such payment and/or pay or discharge such charge, but shall be under no obligation to do so. All sums so paid by RoyNat, together with interest at the Loan Rate, shall be payable by the Company on demand and shall constitute a charge upon the Mortgaged Premises. No such performance or payment shall relieve the Company from any default hereunder or any consequences of such default.

4. **Appointment of Monitor.** If in the opinion of RoyNat, acting reasonably, a material adverse change has occurred in the financial condition of the Company, or if RoyNat in good faith believes that the ability of the Company to pay any of its obligations to RoyNat or to perform any other covenant contained herein has become impaired or if an event of default has occurred, RoyNat may by written notice to the Company, appoint a monitor (the "Monitor") to investigate any or a particular aspect of the Company or its business and affairs for the purpose of reporting to RoyNat. The Company shall give the Monitor its full co-operation, including full access to facilities, assets and records of the Company and to its creditors, customers, contractors, officers, directors, employees, auditors, legal counsel and agents. The Monitor shall have no responsibility for the affairs of the Company nor shall it participate in the management of the Company's affairs and shall incur no liability in respect thereof or otherwise in connection with the Company, its business and affairs or the Mortgaged Premises. The Monitor shall act solely on behalf of RoyNat and shall have no contractual relationship with the Company as a consultant or otherwise. The appointment of a Monitor shall not be regarded as an act of enforcement of this Debenture. All reasonable fees and expenses of the Monitor (including legal fees and disbursements on a solicitor and own client basis) shall be paid by the Company upon submission to it of a written invoice therefor. RoyNat may at its option upon the occurrence of an event of default appoint or seek to have appointed the Monitor as Receiver, receiver and manager, liquidator, or trustee in bankruptcy of the Company or the Mortgaged Premises or any part thereof.

5. **Application of Insurance Proceeds.** Any insurance moneys received by RoyNat pursuant to Sections 1(i) and/or 1(j) above may at the option of RoyNat be applied to rebuilding or repairing the Mortgaged Premises, or be paid to the Company, or any such moneys or any insurance moneys received by RoyNat upon the death of any person whose life is insured under any policy of insurance assigned to RoyNat as security for the obligations of the Company hereunder may be applied in the sole discretion of RoyNat, in whole or in part, to the repayment of the principal amount hereby secured or any part thereof whether then due or not, with any partial payments to be credited against principal instalments payable hereunder in inverse order of their maturity dates.

6. **No Merger or Novation.** The taking of any judgment or the exercise of any power of seizure or sale shall not operate to extinguish the liability of the Company to perform its obligations hereunder or to pay the moneys hereby secured, shall not operate as a merger of any covenant herein contained or affect the right of RoyNat to interest at the Loan Rate in effect from time to time hereunder, and the acceptance of any payment or other security shall not constitute or create any novation. The execution and delivery of this Debenture or of any instruments or documents supplemental hereto shall not operate as a merger of any representation, warranty, term, condition or other provision contained in any other obligation or indebtedness of the Company to RoyNat or under any Offer of Finance.

7. **Security in Addition.** The security hereby constituted is in addition to any other security now or hereafter held by RoyNat. The taking of any action or proceedings or refraining from so doing, or any other dealings with any other security for the moneys secured hereby, shall not release or affect the charges created hereby.

8. **Partial Discharges.** RoyNat may in its sole discretion grant partial discharges or releases of security in respect of any of the Mortgaged Premises on such terms and conditions as it shall deem fit and no such partial discharges or releases shall affect the remainder of the security constituted hereby nor shall it alter the obligations of the Company hereunder.

9. **Events of Default.** The whole of the principal balance remaining unpaid together with interest and all other moneys secured by this Debenture shall, at the option of RoyNat, become immediately due and payable and the security hereby created shall become enforceable in each of the following events (each event being herein called an "event of default"):

- (a) if the Company defaults in payment of any indebtedness of the Company to RoyNat or RoyNat Inc. when the same becomes due and in the case that such default in payment of indebtedness is a default in payment of interest, such default continues for 15 days after written notice thereof by the Company to RoyNat or RoyNat Inc.;
- (b) if the Company defaults in the performance or observance of any of the covenants contained in Section 9(b) of the Debenture or in Sections 1(f), (g), (k), (m) or (n) of this Schedule or Section 4 of this Schedule;

- (c) if the Company defaults in the performance or observance of any other covenant or condition herein contained and such default shall continue for 10 days after written notice thereof to the Company by RoyNat or RoyNat Inc. or contained in any other instrument to which the Company and either or both of RoyNat Inc. and RoyNat are parties;
- (d) if there is any material misrepresentation or misstatement contained in any certificate or document delivered by an officer or director of the Company in connection with this Debenture;
- (e) if the Company institutes any proceeding or takes any corporate action or executes any agreement or notice of intention to authorize its participation in or commencement of any proceeding (i) seeking to adjudicate it a bankrupt or insolvent, or (ii) seeking liquidation, dissolution, winding up, restructuring, reorganization, arrangement, protection, relief or composition of it or any of its property or debt or making a proposal with respect to it under any law relating to bankruptcy, insolvency, reorganization or compromise of debts or other similar laws (including, without limitation, any application under the *Companies' Creditors Arrangement Act* or any reorganization, arrangement or compromise of debt under the laws of its jurisdiction of incorporation or organization);
- (f) the Company becomes bankrupt or insolvent or commits an act of bankruptcy, or any proceeding is commenced against or affecting the Company:
  - (i) seeking to adjudicate it a bankrupt or insolvent;
  - (ii) seeking liquidation, dissolution, winding up, restructuring, reorganization, arrangement, protection, relief or composition of it or any of its property or debt or making a proposal with respect to it under any law relating to bankruptcy, insolvency, reorganization or compromise of debts or other similar laws (including, without limitation, any reorganization, arrangement or compromise of debt under the laws of its jurisdiction of incorporation or organization); or
  - (iii) seeking appointment of a receiver, receiver and manager, liquidator, trustee, agent, custodian or other similar official for it or for any part of its properties and assets, including the Mortgaged Premises or any part thereof;
- (g) any order or judgment is issued by a court granting any of the relief referred to in Section 9(f) hereof;
- (h) if an encumbrancer or secured creditor shall appoint a receiver or agent or other similar official over any part of the Mortgaged Premises, or take possession of any part of the Mortgaged Premises or if 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;
- (i) if the Company takes any corporate proceedings for its dissolution, liquidation or amalgamation with another company or if the corporate existence of the Company shall be terminated by expiration, forfeiture or otherwise;
- (j) if a default occurs under any agreement supplemental hereto or under any other security or other agreement or promissory note previously, now or hereafter granted to or made between or in favour of RoyNat or RoyNat Inc. by the Company or any guarantor of the obligations of the Company or should any party to any agreement supplemental or collateral hereto fail to carry out or observe any covenant or condition on its part to be observed or performed and such default continues for 10 days after written notice thereof to the Company by RoyNat;
- (k) if RoyNat, in good faith and upon commercially reasonable grounds, believes that the prospect of payment or performance of any of the obligations is or is about to be impaired or that the Mortgaged Premises or any part thereof is or is about to be placed in jeopardy;
- (l) if Voting Control of the Company shall change without the prior written consent of RoyNat.

10. **Enforcement.** Upon the happening of any event of default, RoyNat may exercise any rights, powers or remedies available to RoyNat at law or in equity or under applicable legislation and, in addition, shall have the following rights, powers and remedies:

- (a) to enter upon and take possession of all or any part of the Mortgaged Premises;
- (b) to hold, use, repair, preserve and maintain all or any part of the Mortgaged Premises and make such replacements thereof and additions thereto as RoyNat shall deem advisable;
- (c) to exercise all powers necessary to the performance of all functions provided for herein including without limitation the powers to purchase on credit, to borrow money in the Company's name or in its own name and to advance its own money to the Company at such rates of interest as it may deem reasonable;
- (d) to sell, for cash or credit or part cash and part credit, lease or dispose of or otherwise realize upon all or any part of the Mortgaged Premises whether by public auction or by private sale or lease in such manner as RoyNat in its absolute discretion may determine, provided that it shall not be incumbent on RoyNat to sell, lease or dispose of the said property but that it shall be lawful for RoyNat peaceably to use and possess the same without hindrance or interruption by the Company, or any other person or persons whomsoever, and to receive income from such property and to convey, transfer and assign to a purchaser or purchasers the title to any undertaking, property and assets so sold and provided further that in the case of a sale on credit RoyNat shall only be liable to account to the Company, any subsequent encumbrancers and others for moneys actually received by RoyNat;
- (e) to appoint by instrument in writing any person or persons to be a Receiver of all or any portion of the undertaking, property and assets hereby charged, to fix the Receiver's remuneration and to remove any Receiver so appointed and appoint another or others in his stead; and
- (f) to apply to any court of competent jurisdiction for the appointment of a Receiver of all or any portion of the undertaking, property and assets hereby charged.



11. **Powers of Receiver.**

- (a) Any Receiver shall have all of the powers of RoyNat set out in Section 10 of this Schedule and, in addition, shall have the following powers:
  - (i) to carry on the business of the Company and to enter into any compromise or arrangement on behalf of the Company; and
  - (ii) with the prior written consent of RoyNat to borrow money in his name or in the Company's name, for the purpose of carrying on the business of the Company and for the preservation and realization of the undertaking, property and assets of the Company including, without limitation, the right to pay persons having prior charges or encumbrances on properties on which the Company may hold charges or encumbrances, with any amount so borrowed and any interest thereon to be a charge upon the Mortgaged Premises in priority to this Debenture;
- (b) Any Receiver appointed pursuant to the provisions hereof shall be deemed to be an agent of the Company for the purposes of:
  - (i) carrying on and managing the business and affairs of the Company, and
  - (ii) establishing liability for all of the acts or omissions of the Receiver while acting in any capacity hereunder and RoyNat shall not be liable for such acts or omissions,

provided that, without restricting the generality of the foregoing, the Company irrevocably authorizes RoyNat to give instructions to the Receiver relating to the performance of its duties as set out herein.

12. **Application of Moneys.** All moneys actually received by RoyNat or by the Receiver pursuant to Sections 10 and 11 of this Schedule shall be applied:

- (a) first, in payment of claims, if any, of secured creditors of the Company, including any claim of the Receiver pursuant to Section 1111(a), ranking in priority to the charges created by this Debenture as directed by RoyNat or the Receiver;
- (b) second, in payment of all costs, charges and expenses of and incidental to the appointment of the Receiver (including legal fees and disbursements on a solicitor and its own client basis) and the exercise by the Receiver or RoyNat of all or any of the powers granted to them under this Debenture, including the reasonable remuneration of the Receiver or any agent or employee of the Receiver or any agent of RoyNat and all outgoings properly paid by the Receiver or RoyNat in exercising their powers as aforesaid;
- (c) third, in or towards the payment to RoyNat of all moneys due to it by the Company in such order as RoyNat in its sole discretion may determine;
- (d) fourth, in or towards the payment of the obligation of the Company to persons, if any, with charges or security interests against the Mortgaged Premises ranking subsequent to those in favour of RoyNat; and
- (e) fifth, subject to applicable law, any surplus shall be paid to the Company.

13. **Restriction on Company and its Officers and Directors.** Upon the Company receiving notice from RoyNat of the taking of possession of the Mortgaged Premises or the appointment of a Receiver, all the powers, functions, rights and privileges of each of the directors and officers of the Company with respect to the properties, business and undertaking of the Company shall cease unless specifically continued by the written consent of RoyNat.

14. **Discharge and Satisfaction.** Upon payment by the Company to RoyNat of all moneys hereby secured, these presents shall cease and become null and void and the Mortgaged Premises shall revert in the Company without any acknowledgement or formality, but RoyNat shall upon the request and at the expense of the Company, execute and deliver to the Company a full release and discharge.

15. **No Obligation to Advance.** Neither the issue and delivery of this Debenture nor the advance of any funds hereunder shall obligate RoyNat to advance any further funds hereunder or otherwise make credit available to the Company, nor will RoyNat have any liability for any failure or delay on its part to exercise any rights hereunder.

16. **Limited Power of Attorney.** The Company hereby appoints RoyNat as the Company's attorney, with full power of substitution, in the name and on behalf of the Company, to execute, deliver and do all such acts, deeds, leases, documents, transfers, demands, conveyances, assignments, contracts, assurances, consents, financing statements and things as the Company has agreed to execute, deliver and do hereunder, under any Offer of Finance or otherwise, or as may be required by RoyNat or any Receiver to give effect to this Debenture or in the exercise of any rights, powers or remedies hereby conferred on RoyNat or any Receiver, and generally to use the name of the Company in the exercise of all or any of the rights, powers or remedies hereby conferred on RoyNat or any Receiver. This appointment, being coupled with an interest, shall not be revoked by the insolvency, bankruptcy, dissolution, liquidation or other termination of the existence of the Company or for any other reason.

17. **Interpretation.** As used herein the following expressions shall have the following meanings:

- (a) "Business Day" means any day except Saturday, Sunday or a statutory holiday.
- (b) "Contaminant" means any solid, liquid, gas, odour, heat, sound, smoke, waste, vibration, radiation or combination of any of them resulting directly or indirectly from human activities that may cause: (i) impairment of the quality of the natural environment for any use that can be made of it, (ii) injury or damage to property or to plant or animal life, (iii) harm or material discomfort to any person, (iv) an adverse affect on the health of any person, (v) impairment of the safety of any person, (vi) rendering any property or plant or animal life unfit for use by man, (vii) loss of enjoyment of normal use of property, or (viii) interference with the normal conduct of business, and includes any

**pollutant or contaminant as defined in any applicable Environmental Laws and any biological, chemical or physical agent which is regulated, prohibited, restricted or controlled.**

- (c) **“Environmental Laws” means the common law and all applicable federal, provincial, local, municipal, governmental or quasi-governmental laws, rules, regulations, licences, orders, permits, decisions or requirements concerning Contaminants, occupational or public health and safety or the environment and any other order, injunction, judgment, declaration, notice or demand issued thereunder;**
- (d) **“Inventory” means property of the Company held for sale including products purchased for resale, finished goods, work in process and raw materials but not including any property not intended to be directly incorporated in finished goods or products to be sold.”**
- (e) **“Loan Rate” means the rate of interest specified in Section 3 of the Debenture.**
- (f) **“Receiver” shall include one or more of a receiver, receiver-manager or receiver and manager of all or a portion of the undertaking, property and assets of the Company appointed by RoyNat pursuant to this Debenture or by a court of competent jurisdiction.**
- (g) **“RoyNat” means RoyNat Capital Inc., its successors and assigns and, where applicable, includes those for whom it acts as nominee or agent.**
- (h) **“Voting Control” means the ownership of a sufficient number of outstanding shares of a corporation to elect a majority of its directors; and “Voting Control of the Company” means the Voting Control of the Company stated in the Offer of Finance or such different Voting Control as shall have been effected with the prior written consent of RoyNat.**
- (i) **“Working Capital Ratio” of a company means the ratio of its current assets to its current liabilities calculated in accordance with generally accepted accounting principles with any dissent as to the calculation thereof being conclusively resolved by RoyNat.**
- (j) **“Permitted Encumbrances” means any of the following:**
  - (i) **liens for taxes, assessments, governmental charges or levies not at the time due;**
  - (ii) **easements, rights of way or other similar rights in land existing at the date of this Debenture which in the aggregate do not materially impair the usefulness in the business of the Company of the property subject thereto;**
  - (iii) **rights reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, licence, franchise, grant or permit, or by any statutory provision, to terminate the same or to require annual or other periodic payments as a condition to the continuance thereof;**
  - (iv) **any lien or encumbrance the validity of which is being contested by the Company in good faith and in respect of which either there shall have been deposited with RoyNat cash in an amount sufficient to satisfy the same or RoyNat shall be otherwise satisfied that its interests are not prejudiced thereby;**
  - (v) **any reservations, limitations, provisos and conditions expressed in any original grant from the Crown;**
  - (vi) **title defects or irregularities which, in the opinion of counsel to RoyNat, are of a minor nature and in the aggregate shall not materially impair the usefulness in the business of the Company of the property subject thereto;**
  - (vii) **validly perfected security given by the Company to its bankers on its Inventory or under assignments of its accounts receivable, except to the extent that such accounts receivable represent proceeds of the sale or disposition of property specifically charged, mortgaged or assigned under this Debenture or any security supplemental hereto; and**
  - (viii) **security granted in favour of Royal Bank of Canada or as described in Schedule D hereto.**

## SCHEDULE B

Leasehold interest in the premises municipally known as 720 Burnhamthorpe Road West; Units 24, 25 and 28; Mississauga, ON, L5C 3G1 pursuant to leases dated April 1, 1990 and October 1, 1990 and as amended by a lease extension and amending agreement dated July 15, 1994, a lease extension and amending agreement dated April 7, 1999 and a lease amending and expansion agreement dated May 16, 2000 between Stephen Mitchell Realty Limited, Harold Lederman Limited and Yorkdale Contract Interiors Limited (carrying on business as tenants-in-common as Burmave Developments) and 596042 Ontario Limited, notice of which was registered in the Land Registry Office for the Land Titles Division of Peel as No. PR12492, No. PR12493 and No. PR12494 respecting premises legally described as:

### FIRSTLY

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the City of Mississauga, in the Regional Municipality of Peel, and being composed of that Part of Lot 21, Concession 1, North of Dundas Street designated as Part 2 on a Plan of Survey of Reference deposited in the Land Registry Office for the Registry Division of Peel (No. 43) as 43R-2799.

### SECONDLY

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the City of Mississauga, in the Regional Municipality of Peel, and being composed of that Part of Lot 21, Concession 1, North of Dundas Street designated as Parts 1, 6, 7, 8, 9 and 10 on a Plan of Survey of Reference deposited in the Land Registry Office aforesaid as Plan 43R-1274.

SUBJECT TO an easement in favour of The Corporation of the City of Mississauga over Parts 6, 7, 8 and 9 on the said Plan 43R-1274.

SUBJECT TO a further easement in favour of The Corporation of the City of Mississauga over Parts 9 and 10 on the said Plan 43R-1274.

### THIRDLY

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the City of Mississauga, in the Regional Municipality of Peel, and being composed of that Part of Lot 21, Concession 1, North of Dundas Street designated as Parts 5, 6, 7, 8, 9 and 10 on a Plan of Survey of Reference deposited in the Land Registry Office aforesaid as Plan 43R-7388.

SUBJECT TO an easement in favour of The Corporation of the City of Mississauga over Parts 7 and 8 on the said Plan 43R-7388.

SUBJECT TO a further easement in favour of The Corporation of the City of Mississauga over Parts 6, 8, 9 and 10 on the said Plan 43R-7388.

**SCHEDULE C**

Trademark "Le Bon Croissant" registered with the Canadian Intellectual Property Office as number TMA409380 and the United States Patent and Trademark Office as serial number 74247752.

**SCHEDULE D**

Permitted Encumbrances include the following *Personal Property Security Act* (Ontario) registrations:

Secured Party	File Number	Registration Number	Collateral
Copelco Capital, Ltd.	864987138	20000822 1440 7029 0981	Equipment, Other, 3 years
Teletech Financial Corporation	8567592983	19991116 1038 1529 2537	Norstar meridian telephone system with accessories Equipment, Other, 5 years
Bayshore Leasing Corporation	846463086	19981126 1634 1672 5334	Lease equipment for all attachments, accessories and proceeds there of Equipment, Other, 4 years
Northstar Leasing Corporation	845970543	19981109 1626 1882 2206	Equipment, Accounts, Other. No fixed maturity date, 4 years
Mercedes-Benz Credit of Canada Inc.	826253919	19961112 1953 1529 4182	Motor Vehicle, 1997 Mercedes-Benz, C230X, V.I.N. WDBHA23E8VF497188, Equipment, Other, 4 years
The Royal Bank of Canada	957778767	19841012 0825 88 5653	Inventory, Equipment, Book Debts, Other, Motor Vehicle Included, 5 years

A further Royal Bank of Canada registration relating to a blast freezer.

Security made in favour of RoyNat Inc.

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