

RECORDATION FORM COVER SHEET  
TRADEMARKS ONLY

Asst. Commissioner for Trademarks  
2900 Crystal Drive  
Arlington, Virginia 22202

RE:Our File:TP170.2/3/4/5

1. <u>Name (and address) of conveying party(ies)</u>	2. <u>Name and Address of receiving party(ies)</u>
RIDEAU ORDERS, DECORATIONS AND MEDALS, INC. 473 Deslauriers City of Saint-Laurent, Quebec (H4N 1W2)	BUSINESS DEVELOPMENT BANK OF CANADA 5 Place Ville-Marie Montreal, Quebec (H3B 5E7)
( ) Individual(s)	( ) Individual(s) citizenship
( ) Association	( ) Association
( ) General Partnership	( ) General Partnership
( ) Limited Partnership	( ) Limited Partnership
(x) Corporation- Canada	(x) Corporation-Canada
( ) Other-	( ) Other -

If assignee is not domiciled in the United States, a domestic representative designation is attached: ( ) Yes (x) No

3. Nature of conveyance:

( ) Assignment;	( ) Merger
(X) Hypothec on Movable Property Acct # 355156-06	
( ) Other;	( ) Change of Name
	( ) Change of Address

Execution Date: August 20, 2001

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

A. Trademark Application No. (s) No. (s)	B. Trademark Reg.
76/124,275; 75/741,411	
75/580,241; 75/279,584	
Additional numbers attached ( ) Yes (X) No	

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

COLLEN LAW ASSOCIATES, P.C.  
The Holyoke-Manhattan Building  
80 South Highland Avenue  
Ossining, New York 10562

6. Total number of applications and registrations involved: 4

7. Total fee (37 CFR 3.41) \$ 115.00

- Enclosed
- Authorized to be charged to deposit account
- Already submitted

8. Deposit account number:  
03-2465

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

DO NOT USE THIS SPACE

9. 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.

Jess M. Collen		October 11, 2001
Name of person signing	Signature	Date

Total number of pages comprising cover sheet, attachments and documents 16

JMC/MC

Enclosures: - Copy of the executed Hypothesis on Movable Property

Tr170.2.3.4.5

NOTE: IF THERE IS ANY FEE DUE AT THIS TIME, PLEASE CHARGE IT TO OUR DEPOSIT ACCOUNT NO. 03-2465 AND ADVISE.

**HYPOTHEC ON MOVABLE PROPERTY**

Made on this 20th day of August two thousand one (2001)

**BY AND BETWEEN:** **BUSINESS DEVELOPMENT BANK OF CANADA**, a bank corporation continuing as a body corporate the Federal Business Development Bank under an *Act of the Parliament of Canada*, 42-43-44 Elizabeth II, (1994-1995), sanctioned on the 13th day of July one thousand nine hundred and ninety-five (1995), having its head office in the city of Montreal, 5 Place Ville-Marie, (H3B 5E7), Province of Quebec, herein acting and represented by Roger Michel, its Managing Director, Subordinate Financing, hereunto duly authorized by resolution passed on the third (3rd) day of April two thousand one (2001), himself represented by Paul Paradis under a power of attorney under private signature, on the twenty-eighth (28th) day of May two thousand one (2001), the said resolution and the said power of attorney are annexed to the original of this hypothec.

*The notice of address of the Bank being registered at the Personal and Movable Real Rights Registry Office under number 000353.*

(hereinafter called the "**Bank**")

**AND:** **RIDEAU ORDERS, DECORATIONS AND MEDALS INC.**, a corporation governed by the *Canada Business Corporations Act*, having its head office at 473 Deslauriers, in the City of Saint-Laurent, Province of Quebec (H4N 1W2), herein acting and represented by Peter Hart, its Vice-President, and by Stephen Hart, its Secretary-Treasurer, hereunto duly authorized by a resolution of its Board of Directors, a certified copy of which is annexed to the original of this hypothec.

(hereinafter called the "**Debtor**")

**WHO HAVE DECLARED AND AGREED AS FOLLOWS:**

**I. THE INDEBTEDNESS**

The Bank has granted to the Debtor a loan in the amount of five hundred thousand dollars (\$ 500,000.) under a letter of offer of financing and its schedule, dated May 14, 2001 and accepted by the Debtor on May 18, 2001 bearing account number 355156-06. Copy of the letter of offer of financing and its schedule, is attached hereto to have effect as if stated at length.

This loan bears interest and is repayable at the interest rate and in accordance with the terms set forth in the letter of offer of financing and its schedule. This letter of offer of financing and its schedule, and all future modifications or amendments thereto, are hereafter referred to as the "Loan". All sums owing and to be owed by the Debtor as a result of the Loan, in principal, interest and otherwise, are hereinafter referred to as the "Indebtedness".

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**II. HYPOTHEC**

- 1. To secure the payment of the indebtedness and the performance of its obligations under the present hypothec as well as under the Loan, the Debtor hypothecates and creates a security interest in the following property (the "mortgaged property") for the sum of five hundred thousand dollars Canadian dollars (\$ 500,000.), with interest at the rate of twenty-five percent (25%) per annum from the date hereof:

**DESCRIPTION OF PROPERTY**

the universality of all its movable property, corporeal and incorporeal, present and future, of whatever nature and wherever situated, including for greater certainty all of Debtor's intangible assets, present and future.

- 2. The following property constitutes "mortgaged property" and, to the extent that it is not already included in the description in paragraph 1 above or in the section "A" hereto, is also charged by the hypothec and security; Interest constituted hereunder; therefore, the terms "mortgaged property" also include the following property:

- a) the proceeds of any sale, lease or other disposition of the property described in paragraph 1, any debt resulting from such sale, lease or other disposition, as well as any property acquired to replace the mortgaged property;
- b) any insurance or expropriation proceeds payable in respect of the mortgaged property;
- c) the principal and income of the mortgaged property as well as any rights attached to the mortgaged property;
- d) where the property described in paragraph 1 includes shares or securities, all other shares and securities issued in replacement of these shares or securities; and
- e) all deeds, documents, registers, invoices and books of account evidencing the mortgaged property or relating thereto.

**III. DEBTOR'S DECLARATIONS**

The Debtor represents and warrants the following:

- 1. The Debtor is in compliance with all applicable laws, ordinances, regulations and policies, the breach of which could have an adverse effect on the Debtor's business or its ability to perform its obligations under this loan and the security, including environmental laws and regulations.
- 2. The Debtor owns the mortgaged property and the mortgaged property is free and clear of all real rights, hypothecs or security other than those described in section "B" of the attached schedule. The Debtor further warrants and represents that this hypothec insofar as it affects the Debtor's intangible assets shall be of first rank.

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3. The mortgaged property is situated in the Province of Québec, except for the property described in section "C" of the attached schedule.
4. The mortgaged property is not intended to be used in more than one province or state, except for the property described in section "D" of the attached schedule.
5. The Debtor's head or registered office (or domicile, if the Debtor is an individual) is located at the address indicated in section "E" of the attached schedule.

**IV. COVENANTS**

1. The Debtor shall inform the Bank without delay of any change to its name or to the contents of the representations made in article III. He shall provide on the Bank's request, all required documents to evidence such change.
2. The Debtor shall pay, when due, all duties, taxes and charges relating to the mortgaged property, as well as any debt which could rank prior to the hypothec and security interest constituted hereunder and shall provide to the Bank, on demand, evidence that the payments described herein have been made.
3. The Debtor shall insure the mortgaged property and keep it constantly insured for its full insurable value against damage caused by theft, fire and all other risks against which a prudent administrator would insure the mortgaged property. The Bank is hereby designated as the loss payee as its interest appears of the indemnities payable under these policies and the Debtor shall cause such designation to be inscribed in the policies. The Debtor shall provide the Bank with a copy of each policy and, at least thirty (30) days prior to the expiration or cancellation of a policy, a copy of the renewal or replacement thereof. Receipt by the Bank of such proceeds, whether or not remitted to or endorsed by the Debtor shall not reduce the Bank's rights and privileges unless said proceeds are applied expressly as a reduction of any outstanding balance and shall not in any case constitute novation.
4. The Debtor shall do all things and sign all documents necessary for the hypothec and security interest constituted hereunder to have full effect and be perfected and constantly enforceable against third parties.
5. The Debtor shall protect and adequately maintain the mortgaged property and exercise its activities in such a manner as to preserve its value. The Debtor shall fully comply with all laws and regulations applicable to the operation of its business and to the mortgaged property, including without limitation environmental laws and regulations.
6. The Debtor shall keep all books, records and accounts which a prudent administrator would keep with respect to the mortgaged property and shall permit the Bank to examine said books records and accounts and obtain copies of same.
7. The Debtor shall keep the mortgaged property free of all real rights, hypothecs or security, save those which the Bank has consented to in writing. The Debtor shall not give grant, assume or permit to exist, any lien, hypothec, mortgage, security interest or other encumbrance on any of its assets that are subject to the security other than encumbrances agreed to in writing by the Bank.
8. The Debtor shall not dispose of the mortgaged property or lease same, including without limitation, the licensing of any intellectual property, unless the Bank consents thereto in writing. However, if not in default hereunder, the Debtor may

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sell or lease its inventory at market conditions in the ordinary course of its business. Moreover, if a disposition is made without the Bank's prior consent, the Bank shall be entitled to demand immediate repayment of the indebtedness, even if it is not yet due.

9. The Debtor shall not change the use, destination or nature of the mortgaged property nor remove the mortgaged property from its present location, unless the Bank consents thereto in writing.
10. If the Debtor is a corporation, the Debtor shall not amalgamate with another person nor commence dissolution or liquidation proceedings, without the written consent of the Bank, which consent shall not be unreasonably withheld.
11. Where the mortgaged property includes inventory and accounts receivable, the Debtor shall provide the Bank monthly with a statement (by category) of the value of its inventory (calculated at the lesser of cost or market value) and a list of its accounts receivable (indicating their amount and age).
12. The Debtor shall provide the Bank with all information reasonably required by it to verify if the Debtor is in compliance with the covenants and obligations contained herein. The Debtor shall inform the Bank of any fact or event which could adversely affect the value of the mortgaged property or the financial condition of the Debtor.
13. The Debtor shall pay all costs incurred by the Bank with respect to this agreement and to any release relating thereto, including the fees of the Bank's legal counsel and fees incurred in order to render the Bank's rights opposable to third parties.
14. On demand, the Debtor shall pay the amount of any loss suffered by the Bank due to the repayment before maturity of the indebtedness, whatever may be the cause of such repayment (including where a repayment is made further to an event of default). The amount of this loss shall form part of the indebtedness.
15. The Debtor shall reimburse the Bank for all costs and expenses incurred by it to exercise its rights or to fulfill the obligations of the Debtor with interest at the annual rate then applicable to the principal of the indebtedness under the Loan. The hypothec and security interest granted hereby under paragraph 11 hereof shall also secure the reimbursement of said costs and expenses as well as the payment of said interest.
16. The Debtor shall at all times pay the Bank, at the latter's request, all judicial fees, charges or other legal expenses as well as extra judicial fees in accordance with the tariffs established under the Bar Act and its ensuing regulations, the expenses and fees of an agent or trustee, or any costs incurred in the course of ensuring fulfillment of all of the Debtor's obligations hereunder, protecting and realizing the assets given as security for this loan, or appraising the assets during the life of the loan or in the event of their liquidation.

In addition, the Debtor covenants to pay the costs of any appraiser and any environmental investigator engaged by the Lender to effect any inspection, appraisal, investigation or environmental audit of the secured assets during the life of the Loan or in the event of their liquidation, and the cost of any environmental rehabilitation, removal, or repair necessary to protect, preserve or remediate the secured assets, including any fine or penalty the Lender is obliged to incur by reason of any statute, order or direction by competent authority.

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**V. ENVIRONMENT**

The Debtor represents and agrees that:

- a) it operates and will continue to operate in conformity with all environmental laws and will ensure its staff is trained as required for that purpose;
- b) its assets are and will remain free of environmental damage or contamination;
- c) there has been no complaint, prosecution, investigation or proceeding with respect to the Debtor's business or assets;
- d) it will advise the Bank immediately upon becoming aware of any environmental problem;
- e) it will provide the Bank with copies of all communications with environmental officials and all studies or assessments prepared for the Debtor and does consent to the Bank contacting and making inquiries of officials or assessors.

**VI. RIGHTS OF THE BANK**

1. The Bank may inspect or have the mortgaged property appraised from time to time at the Debtor's expense and, for that purpose, shall be permitted access to the premises where the mortgaged property is located and to the Debtor's places of business for that purpose. The Debtor shall also allow the Bank to examine and obtain copies of all books of account and documents relating to the mortgaged property.
2. The Bank may inspect and copy the Debtor's Books and Records, either at the Debtor's premises or at the financial advisor's premises. The Bank may contact and make inquiries with the Debtor's lessors as well as environmental officials, assessors, municipal authorities and any taxing body.  

In addition to the reporting requirements set out herein, the Bank may require the opinion of an independent qualified auditor.
3. The Bank may, without being bound to do so, fulfill any or all of the obligations of the Debtor hereunder.
4. The Debtor may collect all debts forming part of the mortgaged property until the Bank withdraws its authorization to the Debtor to do so. Upon such withdrawal, the Bank may collect such debts and shall be entitled to a reasonable commission which it may deduct from any amount collected.
5. Where the mortgaged property includes shares or securities, the Bank may, without being bound to do so, cause itself to be registered as the holder of these shares or securities and exercise any right attached thereto, including any right to vote and any right of conversion or redemption.
6. If the Bank has possession of the mortgaged property, it shall have no obligation to maintain the use for which the mortgaged property is normally intended nor to make it productive nor to continue its use or operation. However, the Bank may, without being bound to do so, sell the mortgaged property in its possession where the mortgaged property is likely to perish, depreciate or decrease in value.

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7. The Debtor constitutes and appoints the Bank as its irrevocable attorney, with full power of substitution, in order to do any act and to sign any document necessary or useful to the exercise of the rights conferred on the Bank hereunder.
8. The Bank shall register assignments of the Debtor's intellectual property wherever deemed necessary.
9. The rights conferred on the Bank under this article VI may be exercised by the Bank irrespective of whether the Debtor is or is not in default hereunder.

**VII. DEFAULTS AND RECOURSES**

1. The Debtor shall be in default in each and every one of the following events:
  - a) If any or all of the obligations secured under this agreement are not paid or performed when due;
  - b) If any of the representations made in article III or warranty made herein is inaccurate or ceases to be accurate;
  - c) In cases other than default under paragraph a), f) and h) hereof, if the Debtor does not fulfill any one of its covenants hereunder, after a written notice sent by the Bank to the Debtor and upon failure by the Debtor to remedy any such default within ten (10) days from receipt of such notice;
  - d) If the Debtor is in default under the Loan;
  - e) If the Debtor is in default under any other contract or agreement between it and the Bank or under any other hypothec or security affecting the mortgaged property;
  - f) If the Debtor ceases to carry on its business, becomes insolvent or bankrupt; or
  - g) If any or all of the mortgaged property is seized or is subject to a taking of possession by a creditor, a receiver or any other person performing similar functions.
  - h) An order of execution against the Debtor's assets or any part thereof remains unsatisfied for a period of ten (10) days.
  - i) The Lessor under any lease to the Debtor of any immovable/real or moveable/personal property, taken any steps to terminate such lease, or otherwise exercise any of its remedies under such lease as a result of any default thereunder by the Debtor.
  - j) The Debtor causes or allows hazardous materials to be brought upon any land or premises occupied by the Debtor or incorporated into any of its assets without the Bank's prior consent, or if the Debtor causes, permits or fails to remedy any environmental contamination upon, in or under any of its lands or assets, or fails to comply with any abatement or remediation order given by a responsible authority.
  - k) Default under any operating permit, lease of land or personal property or in arrears of payment to any taxing authority.



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- 2. Upon the Debtor's default, the Bank may terminate any obligation it may have had to grant credit or make advances to the Debtor and declare exigible all obligations of the Debtor which are not yet due. Upon such default, the Bank may also exercise all recourses available to it under applicable law and may realize on its hypothec and security interest, including enforcing the hypothecary rights provided in the Civil Code of Quebec.
- 3. In order to realize on its hypothec and security interest, the Bank may use the premises where the mortgaged property and other property of the Debtor are situated at the expense of the Debtor. Where the mortgaged property includes debts, the Bank may compromise or transact with the debtors of these debts and may grant releases and discharges in respect of same. Where the mortgaged property includes inventory, the Bank may complete the manufacture of such inventory and do all things necessary or useful to its sale.

**VIII. ADDITIONAL HYPOTHEC**

To secure the payment of interest not already secured by the hypothec created in Article II and to further secure the performance of its obligations hereunder, the Debtor hypothecates all of the property described in Article II for an additional amount equal to twenty percent (20%) of the principal amount of the hypothec created in Article II.

**IX. GENERAL PROVISIONS**


- 1. The hypothec and security interest created hereby are in addition to and not in substitution for any other hypothec or security held by the Bank.
- 2. This hypothec and security interest are continuing security and shall subsist notwithstanding the payment from time to time, in whole or in part, of any of the obligations secured hereunder. The Debtor shall not, without the Bank's written consent, subrogate third parties in the hypothec or the Bank's rights hereunder.
- 3. In each case provided in paragraph 1 of article VII, the Debtor shall be in default by the mere lapse of time, without the necessity of any notice or demand.
- 4. Where this hypothec and security interest are granted by more than one person, each such person shall be jointly and severally liable to the Bank for the performance of all obligations provided herein.
- 5. Any sum collected by the Bank in the exercise of its rights may be held by the Bank, as mortgaged property, or may be applied to the payment of the obligations secured hereunder, whether or not yet due. The Bank shall have discretion as to how any such collected sum shall be applied.
- 6. The exercise by the Bank of any of its rights shall not preclude the Bank from exercising any other right; all the rights of the Bank are cumulative and not alternative. The failure of or forbearance by the Bank to exercise any of its rights resulting from this agreement shall not constitute a renunciation to the later exercise of such right. The Bank may exercise its rights resulting from this agreement without being required to exercise any right against the Debtor or against any other person liable for the payment of the obligations secured hereunder or to realize on any other security held for the payment of such obligations. No action or omission on the part of the Bank shall constitute or imply a renunciation of its rights to decide the Debtor is in default or to avail itself of its rights pursuant to such default, unless the Bank explicitly declares otherwise after the default has occurred.

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- 7. The Bank shall only be required to exercise reasonable care in the exercise of its rights and the performance of its obligations and, in any event, shall only be liable for its intentional fault or gross negligence.
- 8. The Bank may delegate to another person the exercise of its rights or the performance of its obligations resulting from this agreement. In such a case, the Bank may provide that person with any information it may have concerning the Debtor or the mortgaged property.
- 9. The rights of the Bank hereunder shall benefit any successor of the Bank, including any person resulting from the amalgamation of the Bank with any other person.
- 10. Any notice to the Debtor may be given at the address indicated below or any other address communicated in writing by the Debtor to the Bank.
- 11. This agreement shall be governed and interpreted by the law in force in the Province of Quebec.
- 12. The parties hereto have expressly required that this agreement be drafted in English. *Les parties aux présentes ont expressément exigé que la présente entente soit rédigée en anglais.*

SIGNED IN Montreal, Province of Quebec, on the date first hereinabove-mentioned.

BUSINESS DEVELOPMENT BANK OF CANADA

Per:   
 \_\_\_\_\_  
 Paul Paradis

RIDEAU ORDERS, DECORATIONS AND MEDALS INC.

Per:   
 \_\_\_\_\_  
 Peter Hart

Per:   
 \_\_\_\_\_  
 Stephen Hart

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**SCHEDULE A**

**TO THE HYPOTHEC ON MOVABLE PROPERTY  
EXECUTED THIS AUGUST 20, 2001  
BETWEEN  
BUSINESS DEVELOPMENT BANK OF CANADA  
AND THE DEBTOR**

**Additional description of the mortgaged property**

Without limiting the generality of the assets described in Section 1 of Article II, the following trademarks are included in the mortgaged property, to wit:

<u>TRADE MARK</u>	<u>APPLICATION NO</u>	<u>REGISTRATION NO</u>
OPUS EXCELLENTIAE-IMPRESSIONS	696,839	TMA410,906
R & DESIGN	504,842	TMA318,564
RETIENIUM	1,072,105	n/a
RIDEAU DESIGN	764,386	TMA458,436
RIDEAU SPORTS	801,233	TMA468,020
SEASONS SAISONS	1,014,259	TMA538,342
SEASONS / SAISONS & DESIGN	1,012,445	TMA538,336
SELECT DIRECT & DESIGN	835,089	TMA495,875
SPORTSAWARDS.COM	878,276	n/a
WHEEL DESIGN	698,842	TMA408,549

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**SCHEDULE B**

**TO THE HYPOTHEC ON MOVABLE PROPERTY  
EXECUTED THIS AUGUST 20, 2001  
BETWEEN  
BUSINESS DEVELOPMENT BANK OF CANADA  
AND THE DEBTOR**

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**Real rights, hypothecs or security interests encumbering the mortgaged property**

The following entries affect the mortgaged properties:

(a) in favour of Royal Bank of Canada:

- 01-0039962-0005
- 00-0342193-0007
- 00-0040781-0004
- 99-0178338-0001
- 99-0178344-0001
- 99-0038031-0001
- 98-0140229-0001
- 98-0008523-0002
- 98-0008523-0001
- 97-0082795-0002
- 97-0013274-0001
- 95-0130615-0003
- 94-0106592-0045

(b) in favour of borrower's lessor (Société immobilière Dundee Québec Inc.):

- 98-0153763-0004



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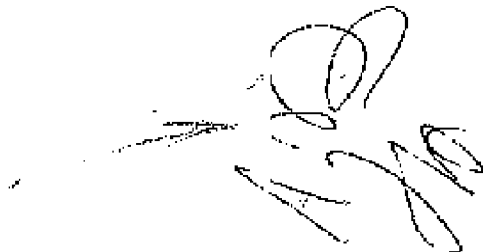
**SCHEDULE C**

**TO THE HYPOTHEC ON MOVABLE PROPERTY  
EXECUTED THIS AUGUST 20, 2001  
BETWEEN  
BUSINESS DEVELOPMENT BANK OF CANADA  
AND THE DEBTOR**

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tion of the property not situated in the Province of Quebec

N/A

A handwritten signature in black ink, appearing to be 'A. J. H.', is located in the lower right quadrant of the page.

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**SCHEDULE D**

**TO THE HYPOTHEC ON MOVABLE PROPERTY  
EXECUTED THIS AUGUST 20, 2001  
BETWEEN  
BUSINESS DEVELOPMENT BANK OF CANADA  
AND THE DEBTOR**

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**Description of the property intended to be used  
in more than one province or country**

N/A



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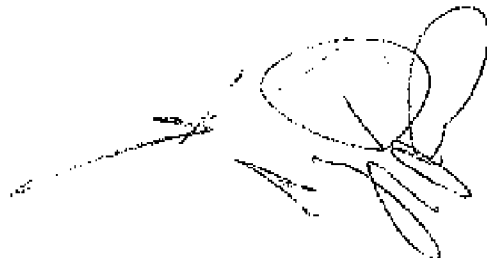
**SCHEDULE E**

**TO THE HYPOTHEC ON MOVABLE PROPERTY  
EXECUTED THIS AUGUST 20, 2001  
BETWEEN  
BUSINESS DEVELOPMENT BANK OF CANADA  
AND THE DEBTOR**

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Address of the Debtor's head or registered office  
(or his/her domicile, if the Debtor is an individual)

473, Deslauriers  
Ville Saint-Laurent (Québec)  
H4N 1W2



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