

10-30-2001



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U.S. Department of Commerce
Patent and Trademark Office

101890076

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 PartnershipAdditional name(s) of conveying party(ies) attached? ☐ Yes ☒ No

2. Name and Address of receiving party(ies)

Name: RoyNat Capital Inc.

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

3. Nature of conveyance:

☐ Assignment☐ Merger☐ Security Agreement☐ Change of Name☒ Other Debenture AgreementExecution Date: January 23, 2001☐ Individual(s) citizenship☐ Association☐ General Partnership☐ Limited Partnership☒ Corporation -☐ OtherIf 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 ☒ No5. 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 10036-67996. Total number of applications and registrations involved: 17. 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)

DO NOT USE THIS SPACE

9. Statement and signature.

*To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of
the original document.*

Midge M. Hyman

Name of Person Signing

Signature

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

03/03/01 15:23 FAX

COWAN, LIEBOWITZ & LATMAN

003

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 22202-3515APPOINTMENT 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:

Title:

STEVEN MISCH

DIRECTOR, MARKETING

Dated:

WHL/WMD/23137/00/458675-1

Atty Ref: 23137.96

IN THE UNITED STATES PATENT AND TRADE MARK OFFICE

In re Registration of: RoyNat Capital 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

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RoyNat Capital Inc.

By: 

Name:

Title:

STEVE WASSER

DIRECTOR, MERCHANDISE MARKETING

Dated:

MRH/RMD/23137/00/458875.1

P. 03/03 905 276 5726 10 9-41636972250

APR 23 2001 16:12 FR ROYNAT INC

TRADEMARK
REEL: 002391 FRAME: 0807

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Form PTO-1595

(Rev. 03/01)

OMB No. 0651-0027 (exp. 5/31/2002)

Tab settings



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

6/135

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

1. Name of conveying party(ies):

Mardig V. Pogharian

8-13-01

2. Name and address of receiving party(ies)

Name: Martin Terzian

Internal Address:

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

3. Nature of conveyance:

- ☐ Assignment ☐ Merger
- ☐ Security Agreement ☐ Change of Name
- ☒ Other Correcting Assignment to indicate correct patent number

Execution Date: July 25, 1996

Street Address: 6421 Ponce Avenue

City: West Hills State: CA Zip: 91307

Additional name(s) & address(es) attached? ☐ Yes ☒ No

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

If this document is being filed together with a new application, the execution date of the application is:

A. Patent Application No.(s)

B. Patent No.(s)

4,924,562

Additional numbers attached? ☐ Yes ☒ No

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

Name: Riordan & McKinzie

Internal Address:

Street Address: 300 S. Grand Avenue

29th Floor

City: Los Angeles State: CA Zip: 90071

6. Total number of applications and patents involved: ☐

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

☒ Enclosed☐ Authorized to be charged to deposit account

8. Deposit account number:

(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.

SHARMINI N. GREEN

Name of Person Signing

Sharmini Green

Signature

8/8/01

Date

Total number of pages including cover sheet, attachments, and documents: 5

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

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ent by: RIORDAN & MCKINZIE

TRADEMARK
REEL: 002391 FRAME: 0808

05-16-2001

U.S. Department of Commerce
Patent and Trademark Office

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101719215

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☐ Individual(s) ☐ Association
☐ General Partnership ☐ Limited Partnership
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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

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 New York, NY 10036-6799

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5/16/2001 ITALLAH2 00000034 74247752

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 the original document.

Midge M. Hyman

Name of Person Signing

Signature

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

AGREEMENT

THIS AGREEMENT CONFIRMS THE PURCHASE BY MARTIN TERZIAN (PURCHASER), PRESENTLY RESIDING AT 6421 PONCE AVENUE, WEST HILLS, CALIFORNIA 91307 FROM MARDIG V. POGHARIAN (SELLER), PRESENTLY RESIDING AT 8513 FULLBRIGHT AVENUE, CONOGA PARK, CALIFORNIA 91306 OF ALL RIGHTS, TITLE AND INTEREST HELD BY MARDIG V. POGHARIAN IN UNITED STATES PATENT NUMBERS 4,924,562 AND 4,458,393 AND IN ALL INTERNATIONAL PATENTS INCLUDING ITALIAN PATENT NUMBERS 1210704 AND 01248414, TOGETHER WITH ANY AND ALL INTEREST IN, OR CLAIMS ASSERTED TO, THE INVENTIONS COVERED BY THE AFOREMENTIONED PATENTS UNDER THE FOLLOWING TERMS AND CONDITIONS:

1. THE SELLER WARRANTS THAT HE HAS CLEAR AND UNENCUMBERED TITLE TO THE PATENTS AND INVENTIONS THEREIN DESCRIBED AND HAS NOT BY SALE, ASSIGNMENT OR OTHERWISE AFFECTED HIS INTEREST IN THEM.
2. THE SELLER WARRANTS THAT HE WILL FURNISH TO PURCHASER, UPON REQUEST, ALL SUCH DOCUMENTS AND INSTRUMENTS NECESSARY TO THE FILING AND REGISTRATION OF PURCHASER'S OWNERSHIP IN THE AFOREMENTIONED PATENTS AND INVENTIONS IN THE UNITED STATES AND THROUGHOUT THE WORLD.
3. IN CONSIDERATION OF THE SELLERS CONVEYANCE AS DESCRIBED ABOVE, THE PURCHASER WILL:
 - A. TENDER TO SELLER, UPON HIS EXECUTION OF THIS AGREEMENT THE SUM OF \$12,000.00 BY CASHIER'S CHECK PAYABLE TO SELLER.
 - B. REMIT TO SELLER, EXCEPT AS HEREIN PROVIDED, THE SUM OF \$3,000 PER MONTH FOR A PERIOD OF SIXTY MONTHS BEGINNING THIRTY DAYS FOLLOWING THE EXECUTION OF THIS AGREEMENT.
4. NOTWITHSTANDING THE PROVISIONS OF PARAGRAPH 3(B) ABOVE, PURCHASER MAY, AT HIS SOLE ELECTION WITHIN 360 DAYS OF THE EXECUTION OF THIS AGREEMENT, CANCEL OR CONFIRM UNILATERALLY THIS AGREEMENT.

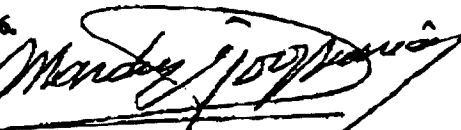
IN THE EVENT PURCHASER ELECTS TO CANCEL THIS AGREEMENT, ALL MONIES PAID BY PURCHASER TO THE SELLER IN ACCORDANCE WITH PARAGRAPH 3(B) ABOVE, UP TO THE DATE OF NOTICE OF ELECTION GIVEN TO SELLER BY PURCHASER, BY REGISTERED MAIL, WILL BE RETAINED BY SELLER. PURCHASER WARRANTS THAT IN THE EVENT HE ELECTS TO CANCEL THIS AGREEMENT IN ACCORDANCE WITH THIS PARAGRAPH HE WILL RECONVEY TO THE SELLER ALL RIGHTS, TITLE AND INTEREST IN THE PATENTS AND INVENTIONS ACQUIRED HEREUNDER. FOLLOWING CANCELLATION OF THE AGREEMENT TO PURCHASER WILL HAVE NO ADDITIONAL FINANCIAL OBLIGATIONS TO THE SELLER.

5. THE FIRST SIX PAYMENTS OF \$3,000 SHALL APPLY AGAINST THE TOTAL OF SIXTY PAYMENTS DUE AS REFERRED TO UNDER PARAGRAPH 3(B) AND SUBJECT TO THE LIMITATIONS OUTLINED IN PARAGRAPH 4 ABOVE. IF THE PURCHASER HAS NOT CONFIRMED THIS AGREEMENT AT THE END OF THE FIRST SIX MONTHS (SIX PAYMENTS) THEN THE PURCHASER MAY CONTINUE THE AGREEMENT (NOT CONFIRMED) MONTH TO MONTH FOR UP TO AN ADDITIONAL TWELVE MONTHS EXCEPT THAT THIS ADDITIONAL EXTENSION OF TIME TO CONFIRM WILL NOT BE APPLIED AGAINST THE SIXTY MONTH PERIOD REFERRED TO IN PARAGRAPH 3(B) ABOVE BUT WILL INSTEAD EXTEND THE PAYMENT PERIOD ONE MONTH FOR EACH ADDITIONAL MONTH THE AGREEMENT REMAINS IN FORCE BUT UNCONFIRMED UP TO A TOTAL OF TWELVE MONTHS OR TWELVE PAYMENTS. THE PURCHASER MAY CANCEL THE AGREEMENT AT ANY TIME DURING THIS ADDITIONAL EXTENSION PERIOD UNDER THE SAME TERMS AS PARAGRAPH 4 ABOVE.

THIS IS THE TOTAL AGREEMENT AND ANY CHANGES TO THIS AGREEMENT MUST BE MADE IN WRITING AND CONFIRMED BY BOTH SELLER AND PURCHASER.

IN WITNESS WHEREOF, THE PARTIES HAVE CAUSED THIS AGREEMENT TO BE EXECUTED AS OF JULY 25, 1996.


MARTIN TERZIAN
PURCHASER


MARDIG V. POGHARIAN
SELLER

JANUARY 20, 1997

AGREEMENT REVISION

REVISION TO CLASP PATENT AGREEMENT BETWEEN MARTIN TERZIAN AND
MARDIG POGHARIAN EXECUTED ON JULY 25, 1996.

THIS AGREEMENT CONFIRMS THE PURCHASE BY MARTIN TERZIAN (PURCHASER), PRESENTLY RESIDING AT 6421 PONCE AVENUE, WEST HILLS, CALIFORNIA 91307 FROM MARDIG V. POGHARIAN (SELLER) PRESENTLY RESIDING AT 8513 FULLBRIGHT AVENUE, CONOGA PARK, CALIFORNIA 91306 OF ALL RIGHTS, TITLE AND INTEREST HELD BY MARDIG V. POGHARIAN IN UNITED STATES PATENT NUMBERS 4,924,562 AND 4,458,393 AND IN ALL INTERNATIONAL PATENTS INCLUDING ITALIAN PATENT NUMBERS 1210704 AND 01248414, TOGETHER WITH ANY AND ALL INTEREST IN, OR CLAIMS ASSERTED TO, THE INVENTIONS COVERED BY THE AFOREMENTIONED PATENTS UNDER THE FOLLOWING TERMS AND CONDITIONS:

1. THE SELLER WARRANTS THAT HE HAS CLEAR AND UNENCUMBERED TITLE TO THE PATENTS AND INVENTIONS HEREIN DESCRIBED AND HAS NOT BY SALE, ASSIGNMENT OR OTHERWISE AFFECTED HIS INTEREST IN THEM.
2. THE SELLER WARRANTS THAT HE WILL FURNISH TO THE PURCHASER UPON REQUEST, ALL SUCH DOCUMENTS AND INSTRUMENTS NECESSARY TO THE FILING AND REGISTRATION OF PURCHASER'S OWNERSHIP IN THE AFOREMENTIONED PATENTS AND INVENTIONS IN THE UNITED STATES AND THROUGHOUT THE WORLD.
3. IN CONSIDERATION OF THE SELLERS CONVEYANCE AS DESCRIBED ABOVE, THE PURCHASER WILL:
 - A. TENDER TO THE SELLER, UPON HIS EXECUTION OF THIS AGREEMENT, THE SUM OF \$12,000 BY CASHIER'S CHECK PAYABLE TO SELLER. SELLER CONFIRMS THAT THIS AMOUNT WAS PAID IN 1996 ACCORDING TO THE TERMS OF THE AGREEMENT.
 - B. REMIT TO SELLER, EXCEPT AS PROVIDED, THE SUM OF \$3,000 PER MONTH FOR A PERIOD OF SIXTY MONTHS BEGINNING THIRTY DAYS FOLLOWING THE EXECUTION OF THIS AGREEMENT. SELLER CONFIRMS THAT AS OF THE SIGNING OF THIS REVISED AGREEMENT ALL PAYMENTS UNDER THIS PROVISION HAVE BEEN PAID WHEN DUE AND ON TIME AND CURRENT AND THERE ARE NO PAST DUE AMOUNTS OWING.
4. NOTWITHSTANDING THE PROVISIONS OF PARAGRAPH 3(B) ABOVE, PURCHASER MAY, AT HIS SOLE ELECTION, AT ANY TIME DURING THE TERM OF THIS AGREEMENT UNILATERALLY CANCEL THIS AGREEMENT BY PROVIDING WRITTEN NOTICE TO THE SELLER OF HIS INTENTION TO TERMINATE SAID AGREEMENT.

IN THE EVENT PURCHASER ELECTS TO CANCEL THIS AGREEMENT, ALL MONIES PAID BY THE PURCHASER TO THE SELLER IN ACCORDANCE WITH PARAGRAPH 3(B) ABOVE, UP TO THE DATE OF NOTICE OF ELECTION TO TERMINATE GIVEN TO THE SELLER BY THE PURCHASER, BY REGISTERED MAIL, WILL BE RETAINED BY SELLER. PURCHASER WARRANTS THAT IN THE EVENT HE ELECTS TO CANCEL THIS AGREEMENT IN ACCORDANCE WITH THIS PARAGRAPH HE WILL RECONVEY TO THE SELLER ALL RIGHTS, TITLE AND INTEREST IN THE PATENTS AND INVENTIONS ACQUIRED HEREUNDER. FOLLOWING CANCELLATION OF THE AGREEMENT TO PURCHASE, PURCHASER WILL HAVE NO ADDITIONAL FINANCIAL OBLIGATIONS TO THE SELLER.

5. ALL PAYMENTS SHALL APPLY AGAINST THE TOTAL OF THE SIXTY PAYMENTS DUE AS REFERRED TO UNDER PARAGRAPH 3(B) AND SUBJECT TO THE LIMITATIONS OUTLINED IN PARAGRAPH 4 ABOVE.

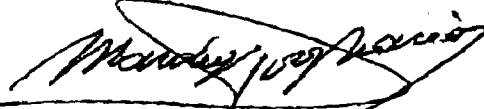
UPON PAYMENT OF ALL SIXTY PAYMENTS AS OUTLINED IN PARAGRAPH 3(B) OF THIS AGREEMENT PURCHASER WILL HAVE COMPLETED HIS OBLIGATIONS UNDER THIS AGREEMENT AND WILL HAVE TOTAL COMPLETE AND UNENCUMBERED TITLE TO THE PATENTS HEREIN DESCRIBED WITH NO FURTHER OBLIGATION WHATSOEVER TO THE SELLER.

THIS IS THE TOTAL AGREEMENT (AS AMENDED) AND ANY FURTHER CHANGES TO THIS AGREEMENT MUST BE MADE IN WRITING AND CONFIRMED BY BOTH PURCHASER AND SELLER.

THIS AGREEMENT SUPERSEDES AND REPLACES IN IT'S ENTIRETY THAT AGREEMENT EXECUTED ON JULY 25, 1996 BETWEEN TERZIAN AND POGHARIAN EXCEPT THAT ALL PAYMENTS MADE BY TERZIAN TO POGHARIAN UNDER THE ORIGINAL AGREEMENT SHALL BE APPLIED AGAINST THE SIXTY MONTH PURCHASE PERIOD AS OUTLINED IN PARAGRAPH 3(B) OF THIS AND THE ORIGINAL CONTRACT. THERE SHOULD BE NO INTERPRETATION THAT THIS AMENDED CONTRACT IN ANY WAY EXTENDS THE PAY PERIOD BEYOND 60 MONTHS FROM THE DATE OF THE ORIGINAL CONTRACT (A TOTAL OF 60 PAYMENTS).

IN WITNESS WHEREOF, THE PARTIES HAVE CAUSED THIS REVISED AGREEMENT TO BE EXECUTED ON JANUARY 1-20 1997.


MARTIN TERZIAN
PURCHASER


MARDIG V. POGHARIAN
SELLER

Issued to: **RoyNat Capital Inc.**
40 King Street West
Toronto, Ontario
M5H 1H1
Facsimile No. (416) 933-2783

DEBENTURE

January 23, 2001

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 given by notice in writing pursuant hereto.

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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: PRESIDENT
Title:

c/s

Name:
Title:

SCHEDULE A

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

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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
Teletch 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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