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Name of Person Signing

J. Biloreau
Signature

December 7, 1998
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DATE OF ISSUED

REG. NO.

USANIMATION

05/20/1997

2,064,189

BANQUE ROYALE DU CANADA
&
TOON BOOM TECHNOLOGIES U.S.A. INC.

Avis d'adresse: 000989

ACTE D'HYPOTHÈQUE MOBILIÈRE

Préambule: Dans cet acte, la Banque Royale du Canada est appelée la « Banque » et la partie qui lui consent des droits hypothécaires est appelée le « constituant ». À moins que le contexte ne s'y oppose, on entend par « obligations » les obligations décrites au paragraphe 1.1, par « biens hypothéqués » les biens décrits au paragraphe 1.2 de même que ceux mentionnés au paragraphe 1.3 ci-dessous et par « valeurs mobilières » ou « valeurs » les lettres de change, billets, actions, bon de souscription, obligations, débetures et autres titres admis ou reconnus comme valeurs mobilières.

1. HYPOTHÈQUE

Pour garantir l'exécution des obligations, le constituant hypothèque en faveur de la banque les biens décrits au paragraphe 1.2, de même que ceux mentionnés au paragraphe 1.3 ci-dessous, pour les montants suivants:

- un montant de capital de UN MILLION CINQ CENT MILLE DOLLARS(1,500,000.00\$), majoré d'un montant additionnel équivalent à 15% de ce montant, formant un total de UN MILLION SEPT CENT VINGT CINQ MILLE DOLLARS(1,725,000.00\$)
- plus intérêt sur ce total, calculé depuis la date du présent acte et composé annuellement, au taux:
 - (a) de _____ pour cent (_____ %) l'an
- ou -
 - (b) préférentiel de la banque majoré de DEUX ET DEMI pour cent (2.5 %) l'an

(Le taux préférentiel est le taux d'intérêt annuel annoncé par la banque de temps à autre à titre de taux de référence en vigueur pour déterminer les taux d'intérêt applicables aux prêts commerciaux en dollars canadiens consentis au Canada).

1.1 OBLIGATIONS GARANTIES

L'hypothèque constituée par le présent acte garantit l'exécution des obligations suivantes:

(a) Obligations du constituant:

- (1) les obligations présentes et futures du constituant envers la banque découlant d'un emprunt constitué d'une (1) catégorie de facilités de crédit, savoir (voir offre de crédit, datée du 2 novembre 1998 de la Banque Royale du Canada et signé par Toon Boom Technologies inc. en date du 4 novembre 1998):
Catégorie (8) : 1,500,000\$, sous forme de prêt à terme à la recherche et à la commercialisation garanti par la Société Industriel du Québec.
La garantie de la SDI correspondra, pour une durée de 6 ans à 80% de la perte encourue.

contracté le 04 NOVEMBRE 1998, et toutes autres obligations découlant de tout renouvellement, modification ou remp-lacement de cet emprunt;

- (2) les obligations présentes et futures du constituant envers la banque découlant d'une ouverture de crédit rotatif limitée à _____ DOLLARS (_____ \$)
contractée le NON-APPLICABLE 19 _____, et toutes autres obligations découlant de tout renouvellement, modification ou remplacement de cette ouverture de crédit;

- (3) les obligations présentes et futures du constituant découlant des contrats identifiés ci-dessous:

(décrire avec précision chaque contrat/engagement (ex.: cautionnement) créant des obligations devant être garanties, en consignat les éléments qui permettent de le distinguer)

NON APPLICABLE

et toutes autres obligations découlant de tout renouvellement, modification ou remplacement de ces contrats;

Les alinéas ci-dessus qui ne sont pas complétés sont réputés non écrits

(4) les obligations suivantes du *constituant* contractées aux termes du présent acte:

- le remboursement des primes d'assurance indiqué au paragraphe 3.5;
- le remboursement des frais indiqué au paragraphe 3.6;
- le remboursement des frais concernant les *valeurs mobilières* indiqué au paragraphe 5.3(f);
- le paiement des frais d'utilisation de locaux et autres biens indiqué au paragraphe 6.3;
- toutes autres obligations, présentes et futures, contractées par le *constituant* aux termes du présent acte,

Et toutes autres obligations découlant de tout renouvellement, modification ou remplacement de ces obligations; et

(5) toutes autres obligations présentes et futures du *constituant* envers la *banque*.

(b) Obligations de tiers: *(ne pas compléter si l'on veut garantir un cautionnement du constituant; dans ce dernier cas, remplir 1.1 (a)(3) ci-dessus)*

toutes obligations présentes et futures contractées envers la *banque* par:
(Nom et adresse de la tierce partie)

NON-APPLICABLE

aux termes des contrats suivants:

(décrire avec précision chaque crédit/contrat/engagement de la tierce partie, en consignnant les éléments qui permettent de le distinguer)

NON-APPLICABLE

et toutes autres obligations découlant de tout renouvellement, modification ou remplacement de ces contrats.

1.2 DESCRIPTION DES BIENS HYPOTHÉQUÉS

(a) **Universalités:** L'hypothèque grève l'ensemble des biens présents et à venir compris dans les universalités décrites ci-dessous:
(Identifier chaque universalité de biens à hypothéquer en complétant la rubrique appropriée)

N.B.: S'il n'y a pas suffisamment d'espace, utiliser des feuilles supplémentaires, les faire signer par le constituant et les joindre au contrat.

*(Ne rien ajouter à 11);
biffer et parapher
si non applicable)*

(1) ~~tous les comptes clients et toutes les créances, de toute nature ou origine, exigibles ou non et garanties ou non, et toutes les réclamations du constituant en vertu de polices d'assurances, ainsi que toutes les sommes provenant du paiement ou de la perception de ces comptes clients, créances ou réclamations:~~

(2) Outillage/matériel d'équipement/véhicules: NON-APPLICABLE

(3) animaux: NON-APPLICABLE

(4) brevets, marques de commerce et droits d'auteur: UNE HYPOTHÈQUE DE PREMIER RANG (1E) ET PARI PASSU AVEC LES HYPOTHÈQUES DES DÉTENTEURS DE DÉBENTURES POUR 3,500,000.00\$ (CDPQ, BDC, FONDS D'INVESTISSEMENT DE LA CULTURE ET DES COMMUNICATIONS ET INNOVATECH DU GRAND MONTRÉAL), UN BILLET DES DÉTENTEURS AMÉRICAINS AU MONTANT DE 900,000.00\$ USD ET NE PORTANT AUCUN INTÉRÊT(VOIR 1.2(c)), SUR LES DROITS DE PROPRIÉTÉ INTELLECTUELLE, PRÉSENTS ET FUTURS, DÉCRITS EN 1.2(b)(4). UNE HYPOTHÈQUE DE PREMIER RANG (1E) SUR TOUS LES AUTRES ACTIFS TANGIBLES RELIÉS AU LOGICIEL *US ANIMATION*, DONT LE CONSTITUANT EST TITULAIRE, QU'IL A ACQUIS OU QU'IL ACQUERRA, SOUS FORME DE LICENCE OU DE CESSION, Y COMPRIS LES DROITS D'AUTEUR, LES MARQUES DE COMMERCE, ENREGISTRÉES OU NON, NOTAMMENT LA MARQUE DE COMMERCE *US ANIMATION*, LES BREVETS D'INVENTION (INCLUANT LE BREVET EN INSTANCE: «DRAWING PIXMAP TO VECTOR CONVERSION»), LES CODES SOURCES, LES SECRETS COMMERCIAUX AINSI QUE LES REDEVANCES DÉCOULANT DE L'EXPLOITATION DE SES DROITS DE PROPRIÉTÉ INTELLECTUELLE.

(5) valeurs mobilières: NON-APPLICABLE

(6) autres universalités de biens mobiliers: **UNE HYPOTHÈQUE DE PREMIER RANG (1E) SUR TOUS LES AUTRES BIENS TANGIBLES, PRÉSENTS ET FUTURS, QUE LE CONSTITUANT POSSÈDE OU POSSÉDERA. LES BIENS TANGIBLES SONT CEUX RELIÉS AU LOGICIEL US ANIMATION OU À D'AUTRES OEUVRES PROTÉGÉES ET/OU BIENS INTANGIBLES POUR LESQUELS LE CONSTITUANT EST TITULAIRE DES DROITS DE PROPRIÉTÉ INTELLECTUELLE.**

(b) **Biens particuliers:** L'hypothèque grève les biens particuliers décrits ci-dessous:
(Décrire chaque bien avec précision en consignnant les éléments qui permettent de le distinguer des autres biens de même nature)

N.B.: S'il n'y a pas suffisamment d'espace, utiliser des feuilles supplémentaires, les faire signer par le constituant et les joindre au contrat.

(1) les créances/compte clients/contrats/dépôts bancaires suivants: **NON-APPLICABLE**

(2) les outils et les pièces d'équipement suivants: **NON-APPLICABLE**

<i>Numéro de série</i>	<i>Modèle</i>	<i>Description</i>

(3) les véhicules routiers suivants: **NON-APPLICABLE**

<i>Catégorie</i>	<i>Numéro d'identification</i>	<i>Année</i>	<i>Description</i>

(4) les droits de propriété intellectuelle suivants: **TOUS LES DROITS, PRÉSENTS ET FUTURS, DU CONSTITUANT SUR LE LOGICIEL US ANIMATION, INCLUANT LES MARQUES DE COMMERCE, ENREGISTRÉES OU NON, NOTAMMENT LA MARQUE DE COMMERCE US ANIMATION, LES BREVETS D'INVENTION, LES CODES SOURCES, L'INFORMATION TECHNIQUE, LES CAHIERS DE SPÉCIFICATIONS, LES MANUELS D'INSTRUCTION ET TOUS LES DROITS DE PROPRIÉTÉ INTELLECTUELLE RATTACHÉS À CE LOGICIEL AINSI QUE LES REDEVANCES QUI EN DÉCOULENT.**

(5) les valeurs mobilières suivantes mises en possession de la banque ou d'un tiers détenteur: **NON-APPLICABLE**

<i>Nombre d'actions ou montant des obligations, effets ou billets</i>	<i>Description des titres et nom des débiteurs figurant sur les effets ou billets</i>

(c) Droits prioritaires: (note au constituant: voir déclaration en 3.1 (c) ci-dessous)

(Décrire en détail les priorités et hypothèques grevant les biens hypothéqués et les droits prenant rang avant ou rendant précaire les hypothèques ici constituées incluant toute sûreté enregistrée ou inscrite dans toutes juridictions autres que le Québec; indiquer les biens affectés, le nom du créancier, le montant en cause, et, le cas échéant, le numéro d'inscription du droit au registre de la publicité des droits.)

LA LISTE DES HYPOTHÈQUES ENREGISTRÉES AU RDPRM AU NOM DE TOON BOOM TECHNOLOGIES U.S.A. INC. EST ANNEXÉE AUX PRÉSENTES ET EN FAIT PARTIE INTÉGRANTE.

LES DROITS DE PROPRIÉTÉ INTELLECTUELLE RELIÉS AU LOGICIEL US ANIMATION FONT L'OBJET D'UNE ENTENTE SIGNÉE LE NEUF (9) OCTOBRE 1998 ENTRE LA BANQUE ROYALE DU CANADA, CAPITAL COMMUNICATION CDPQ INC., LA SOCIÉTÉ INNOVATECH DU GRAND MONTRÉAL, LE FONDS D'INVESTISSEMENT DE LA CULTURE ET DES COMMUNICATIONS, LA BANQUE DE DÉVELOPPEMENT DU CANADA ET MONTRÉAL TRUST, CE DERNIER REPRÉSENTANT LES DÉTENTEURS AMÉRICAINS. LADITE ENTENTE, APPELÉE "INTERCREDITOR AGREEMENT" DÉTERMINE LE RANG ENTRE LES CRÉANCIERS SUR LE LOGICIEL USANIMATION. L'ENTENTE EST ANNEXÉE AUX PRÉSENTES ET EN FAIT PARTIE INTÉGRANTE.

(d) Instructions du constituant au sujet des valeurs mobilières (universalités ou valeurs mobilières particulières)

-créditer les revenus au compte numéro NON-APPLICABLE du constituant
(note: voir 5.3(c) ci-dessous)

- mode de paiement des frais: (cocher la case applicable) (note: voir 5.3(f) ci-dessous)

- débiter la somme en cause du compte numéro _____ au moment choisi par la banque
- facturer au constituant au moment choisi par la banque
- déduire les sommes en cause des revenus des valeurs ou autres versements les concernant encaissés ou reçus par la banque

- communications aux porteurs/actionnaires: (cocher la case applicable)
(note: voir 5.3(d) ci-dessous)

- aucune communication aux porteurs/actionnaires
- les rapports annuels, demandes de procurations et toute communication d'actionnaires dissidents
- tous les renseignements, quels qu'ils soient, destinés aux porteurs/actionnaires

1.3 PORTÉE DE L'HYPOTHÈQUE

L'hypothèque créée par le présent acte grève aussi les biens présents et à venir suivants, dans la mesure où ils ne sont pas déjà inclus dans la description apparaissant au paragraphe 1.2 ci-dessus, mais sans retreindre les affectations découlant du seul effet de la loi:

- (a) le produit de toute vente, location ou autre disposition des biens indiqués au paragraphe 1.2, de même que toute créance résultant de ces opérations;
- (b) tout droit rattaché aux biens indiqués au paragraphe 1.2 ainsi que les fruits et revenus qu'ils produisent, y compris toute indemnité d'assurance ou d'expropriation payable en rapport avec ceux-ci;
- (c) tous les titres, documents, registres, factures et comptes constatant les biens indiqués au paragraphe 1.2 ou s'y rapportant, quelle que soit la nature de leur support et quelle que soit la forme sous laquelle ils sont accessibles, soit écrite, graphique, sonore, visuelle, informatisée ou autre;
- (d) au cas d'universalité de créances, celles résultant de contrats d'assurance sur les autres biens du constituant ;
- (e) au cas de valeurs mobilières, sans limiter la portée générale de l'alinéa (b) ci-dessus, les renouvellements, substitutions et additions dont elles font l'objet et les valeurs mobilières et autres biens reçus ou émis lors de toute transformation des valeurs mobilières hypothéquées;
- (f) le bien qui remplace un bien déjà grevé de la présente hypothèque, dans la mesure où le bien de remplacement (y compris les sommes d'argent en tenant lieu) n'est pas autrement hypothéqué du fait du présent acte ou de la loi.

(c) Droits prioritaires: (note au constituant: voir déclaration en 3.1 (c) ci-dessous)

(Décrire en détail les priorités et hypothèques grevant les biens hypothéqués et les droits prenant rang avant ou rendant précaire les hypothèques ici constituées incluant toute sûreté enregistrée ou inscrite dans toutes juridictions autres que le Québec; indiquer les biens affectés, le nom du créancier, le montant en cause, et, le cas échéant, le numéro d'inscription du droit au registre de la publicité des droits.)

LA LISTE DES HYPOTHÈQUES ENREGISTRÉES AU RDPRM AU NOM DE TOON BOOM TECHNOLOGIES U.S.A. INC. EST ANNEXÉE AUX PRÉSENTES ET EN FAIT PARTIE INTÉGRANTE.

LES DROITS DE PROPRIÉTÉ INTELLECTUELLE RELIÉS AUX LOGICIELS US ANIMATION ET GODZILLA FONT L'OBJET D'UNE ENTENTE SIGNÉE LE NEUF (9) OCTOBRE 1998 ENTRE LA BANQUE ROYALE DU CANADA, CAPITAL COMMUNICATION CDPQ INC., LA SOCIÉTÉ INNOVATECH DU GRAND MONTRÉAL, LE FONDS D'INVESTISSEMENT DE LA CULTURE ET DES COMMUNICATIONS, LA BANQUE DE DÉVELOPPEMENT DU CANADA ET MONTRÉAL TRUST, CE DERNIER REPRÉSENTANT LES DÉTENTEURS AMÉRICAINS. LADITE ENTENTE, APPELÉE "INTERCREDITOR AGREEMENT" DÉTERMINE LE RANG ENTRE LES CRÉANCIERS SUR LES LOGICIELS USANIMATION ET GODZILLA. L'ENTENTE EST ANNEXÉE AUX PRÉSENTES ET EN FAIT PARTIE INTÉGRANTE.

(d) Instructions du constituant au sujet des valeurs mobilières (universalités ou valeurs mobilières particulières)

-créditer les revenus au compte numéro NON-APPLICABLE du constituant
(note: voir 5.3(c) ci-dessous)

- mode de paiement des frais: (cocher la case applicable) (note: voir 5.3(f) ci-dessous)

- débiter la somme en cause du compte numéro _____ au moment choisi par la banque
- facturer au constituant au moment choisi par la banque
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1.3 PORTÉE DE L'HYPOTHÈQUE

L'hypothèque créée par le présent acte greve aussi les biens présents et à venir suivants, dans la mesure où ils ne sont pas déjà inclus dans la description apparaissant au paragraphe 1.2 ci-dessus, mais sans retrendre les affectations découlant du seul effet de la loi:

- (a) le produit de toute vente, location ou autre disposition des biens indiqués au paragraphe 1.2, de même que toute créance résultant de ces opérations;
- (b) tout droit rattaché aux biens indiqués au paragraphe 1.2 ainsi que les fruits et revenus qu'ils produisent, y compris toute indemnité d'assurance ou d'expropriation payable en rapport avec ceux-ci;
- (c) tous les titres, documents, registres, factures et comptes constatant les biens indiqués au paragraphe 1.2 ou s'y rapportant, quelle que soit la nature de leur support et quelle que soit la forme sous laquelle ils sont accessibles, soit écrite, graphique, sonore, visuelle, informatisée ou autre;
- (d) au cas d'universalité de créances, celles résultant de contrats d'assurance sur les autres biens du constituant ;
- (e) au cas de valeurs mobilières, sans limiter la portée générale de l'alinéa (b) ci-dessus, les renouvellements, substitutions et additions dont elles font l'objet et les valeurs mobilières et autres biens reçus ou émis lors de toute transformation des valeurs mobilières hypothéquées;
- (f) le bien qui remplace un bien déjà grevé de la présente hypothèque, dans la mesure où le bien de remplacement (y compris les sommes d'argent en tenant lieu) n'est pas autrement hypothéqué du fait du présent acte ou de la loi.

2. POSSESSION DES BIENS

Sauf quant aux *biens hypothéqués* mis en possession de la *banque* ou d'un tiers convenu entre la *banque* et le *constituant*, cet acte crée une hypothèque sans dépossession, le *constituant* conservant la possession des *biens hypothéqués* sous réserve des engagements contractés aux articles 3 et 4 du présent acte.

3. DÉCLARATIONS ET ENGAGEMENTS DU *CONSTITUANT*

3.1 TITRE DE PROPRIÉTÉ

Le *constituant* fait les déclarations suivantes:

- (a) il est l'unique propriétaire des *biens hypothéqués*;
- (b) il est en possession des *biens hypothéqués* présents qui lui appartiennent et, le cas échéant, de tout titre négociable qui les représente;
- (c) sauf ce qui est dévoilé au paragraphe 1.2(c) ci-dessus, les *biens hypothéqués* ne sont affectés d'aucune priorité ou hypothèque, ni d'un quelconque autre droit, publiés ou non, pouvant faire échec ou prendre rang avant ceux constitués par cet acte, notamment en raison du défaut de paiement d'un loyer ou d'une dette fiscale, d'une vente à tempérament ou avec faculté de rachat, ou d'un droit de rétention, ou en raison d'une omission de se conformer à une loi ou réglementation relative à la protection de l'environnement;
- (d) si l'hypothèque constituée par cet acte grève une universalité de biens, ils font partie d'une ou plusieurs entreprises qu'il exploite;
- (e) si le *constituant* est une personne physique, les *biens hypothéqués* dont il conserve la possession font partie d'une ou plusieurs entreprises qu'il exploite;
- (f) si l'hypothèque constituée par cet acte grève des *valeurs mobilières*, le transfert de ces *valeurs* n'est soumis à aucune restriction;
- (g) aucun des *biens hypothéqués* n'est incorporé, attaché ou réuni à un immeuble.

3.2 ALIÉNATIONS

Sauf avec l'accord préalable écrit de la *banque*, le *constituant* convient:

- (a) de n'aliéner, ni louer aucun des biens particuliers décrits au paragraphe 1.2(b) ci-dessus; et
- (b) de ne pas aliéner, ni louer, hors du cours des activités de son entreprise, tout bien compris dans une universalité décrite au paragraphe 1.2(a) ci-dessus.

Au cas de telle aliénation ou location, même si elle se produisait sans l'autorisation de la *banque*, le *constituant* (sans pour autant être relevé du défaut en résultant) l'en informera en détail et sans délai et lui fournira notamment la description des biens aliénés ou loués, des biens acquis en remplacement s'il y a lieu, les nom et adresse de l'acquéreur ou du locataire de même que les précisions sur le produit de l'aliénation ou de la location.

3.3 TRANSFORMATION

Le *constituant* ne pourra, sans l'accord préalable écrit de la *banque*, transformer les *biens hypothéqués* soit en les incorporant à un immeuble, soit en unissant ou mélangeant un des biens particuliers décrits au paragraphe 1.2(b) ci-dessus à d'autres biens meubles pour en former de nouveaux.

Au cas de telle transformation, même si cela se produisait sans l'autorisation de la *banque*, le *constituant* (sans pour autant être relevé du défaut en résultant) en informera la *banque* en détail et sans délai et lui fournira notamment la description des biens touchés par une telle opération, les nom et adresse du propriétaire du bien pouvant résulter de cette opération et l'adresse de l'endroit où se trouve ce bien.

3.4 CONSERVATION

Le *constituant* maintiendra les *biens hypothéqués* en bon état de conservation, compte tenu de leur nature et de leur destination, et si le *constituant* néglige de le faire, la *banque* pourra, sans y être obligée, faire les dépenses requises à cette fin. Il permettra à la *banque* d'examiner les *biens hypothéqués* en tout temps et lui fournira l'accès requis pour ce faire. Il tiendra les livres et pièces comptables qu'un administrateur diligent tiendrait en rapport avec les *biens hypothéqués* et il permettra à la *banque* de les examiner et d'en obtenir copies. Sauf au cas d'urgence, la *banque* verra à ne pas indûment perturber les activités du *constituant* en effectuant cet examen.

En outre, le *constituant* s'engage à faire en sorte que les *biens hypothéqués* ne deviennent pas grevés d'une priorité ou d'une autre hypothèque, légale ou conventionnelle, ni d'un quelconque autre droit réel, sans l'accord préalable de la *banque*. S'ils le deviennent sans cet accord, le *constituant* (sans pour autant être relevé du défaut en résultant) en informera la *banque* sans délai et obtiendra la radiation des droits en question sur demande de la *banque* et dans le délai qu'elle indiquera. IL S'ENGAGE DE PLUS À MAINTENIR OU À RENOUELER, LE CAS ÉCHÉANT, TOUT ENREGISTREMENT DE MARQUE DE COMMERCE OU AUTRES DROITS DE PROPRIÉTÉ INTELLECTUELLE NÉCESSAIRES À LA CONSERVATION DE SES DROITS COMME TITULAIRE.

3.5 ASSURANCES

Le *constituant* assurera adéquatement les *biens hypothéqués*, à leur coût de remplacement total, sans dépréciation, contre les dommages causés par l'incendie et tout autre risque ou péril:

- qu'il est d'usage de couvrir dans l'industrie du *constituant*, ou
- s'ils ne sont pas dans une entreprise, qu'une personne prudente et raisonnable couvrirait, ou
- que la *banque* peut spécifier, en agissant raisonnablement.

La police ne doit pas prévoir de réserve de faculté de l'assureur de réparer ou reconstruire, doit prévoir que l'assureur renonce à verser une indemnité proportionnelle dans le cas de sous-assurance, sera souscrite auprès d'un assureur de bonne réputation et comportera les dispositions prescrites par l'usage suivi par l'ensemble des membres de l'industrie du *constituant* ou par celui que suivrait une personne prudente et raisonnable, si les biens ne sont pas dans une entreprise. Elle nommera la *banque* comme bénéficiaire du règlement des sinistres et contiendra les causes relatives aux garanties hypothécaires selon la formule approuvée par le Bureau d'assurance du Canada et acceptable à la *banque* ou des clauses équivalentes acceptables à la *banque* aux termes desquelles les fausses représentations, la mauvaise foi ou les actes fautifs du propriétaire ou de tiers ne peuvent être invoqués à l'encontre de la *banque*.

La *banque* pourra imputer toute indemnité au paiement des *obligations* ou la remettre, en tout ou en partie, au *constituant* pour être utilisée pour la réparation ou le remplacement des biens détruits ou endommagés, et le *constituant* signera tout document que la *banque* pourrait exiger afin de confirmer l'hypothèque sur les biens de remplacement.

L'assurance sera maintenue en vigueur jusqu'à l'extinction complète des *obligations* et des copies de la police, de ses renouvellements ou remplacements seront remises à la *banque*, sauf renonciation expresse de sa part.

Le *constituant* avisera la *banque* dans les plus brefs délais possibles de la survenance de tout sinistre touchant les *biens hypothéqués*.

À défaut par le *constituant* de satisfaire cette obligation d'assurance, la *banque* pourra, sans y être tenue et sous réserve des autres recours qu'elle peut avoir en vertu du présent acte ou de la loi, elle-même souscrire l'assurance qu'elle estime adéquate sur les *biens hypothéqués* et le *constituant* lui en remboursera le coût avec intérêts calculés au taux annuel de 15% depuis la date de tout paiement effectué par la *banque*.

3.6 FRAIS

Le *constituant* remboursera à la *banque* sur demande les frais d'évaluation et d'inspection ainsi que les sommes qu'elle aura déboursées pour faire les inscriptions permettant la publicité des droits découlant de cet acte et leur exercice, et le renouvellement de celles-ci, là et selon que requis ou permis par la loi. Les frais de radiation de ces inscriptions seront à la charge du *constituant*.

Il s'engage à lui rembourser aussi tous les frais engagés par elle pour recouvrer du *constituant* les sommes dues au titre des *obligations* et, le cas échéant, pour la conservation des *biens hypothéqués*, avec intérêts calculés au taux annuel de 15% depuis la date de tout paiement effectué par la *banque*.

3.7 INSCRIPTION

Le *constituant* apportera son concours, selon que la *banque* le considérera nécessaire ou utile, pour permettre à la *banque* de faire les inscriptions requises pour publier la constitution, le renouvellement, le report ou la conservation de son hypothèque, de même que l'exercice de ses droits hypothécaires, le cas échéant.

Dès que l'hypothèque constituée par le présent acte grève une créance qui est elle-même garantie par une hypothèque inscrite grevant un bien meuble ou immeuble, le *constituant* doit en informer la *banque* par écrit et lui fournir tous les renseignements qu'elle lui demandera à ce sujet.

Si, à quelque moment, un ou plusieurs des *biens hypothéqués* ne sont pas destinés à rester au Québec, le *constituant* doit en informer la *banque* sans délai et lui communiquer tous les détails requis. Il doit, sur demande de la *banque*, signer toute sûreté ou document additionnel requis pour permettre à la *banque* de conserver la garantie du présent acte sur ces biens ou conférer à la *banque* une sûreté dans la ou les juridictions où les biens seront situés, équivalente à l'hypothèque résultant du présent acte, le tout aux frais du *constituant*.

4. DISPOSITIONS APPLICABLES À L'HYPOTHÈQUE DE CRÉANCES

Les dispositions qui suivent s'appliquent si une ou plusieurs créances dues au *constituant* sont hypothéquées en faveur de la *banque*.

4.1 PERCEPTION

Le *constituant* est autorisé à percevoir, à leur échéance mais non par anticipation, les paiements d'intérêt et les remboursements de capital effectués sur les créances faisant partie de toute universalité de créances hypothéquées en faveur de la *banque* en vertu du présent acte; cette autorisation ne s'applique pas aux créances constituant des *valeurs mobilières* données en gage à la *banque* ni à celles qui sont constituées de dépôts auprès de la *banque* ou de l'une de ses filiales. La *banque* peut à tout moment retirer cette autorisation au moyen d'un avis écrit, que les *obligations* soient exigibles ou non, et prendre alors toutes les mesures requises pour faire valoir cette hypothèque à l'encontre des débiteurs des créances hypothéquées. Dans un tel cas, le *constituant* s'engage à remettre à la *banque*, sur demande, tous les titres, documents, registres, factures et comptes constatant les créances ou s'y rapportant, quelle que soit la nature de leur support ou quelle que soit la forme sous laquelle ils sont accessibles, soit écrite, graphique, sonore, visuelle, informatisée ou autre.

Tout paiement reçu par le *constituant* sur une quelconque créance hypothéquée autrement qu'en vertu de l'autorisation qui précède, le sera pour le compte de la *banque*, ne donnera au *constituant* aucun droit sur les fonds perçus et devra, en tout temps, pouvoir être identifié par rapport aux autres biens du *constituant* et être remis sans délai et sans compensation par le *constituant* à la *banque*.

Par dérogation aux dispositions du paragraphe 3.2(b) ci-dessus, le *constituant* n'est jamais autorisé à aliéner toute créance comprise dans une universalité de créances hypothéquées en faveur de la *banque*, sans l'accord préalable écrit de celle-ci.

4.2 DROITS DE LA BANQUE

La *banque* n'est pas tenue d'exercer ses droits sur les créances hypothéquées ni d'en assurer le recouvrement auprès des débiteurs, en justice ou autrement. Lorsqu'elle aura choisi de percevoir les créances hypothéquées, la *banque* aura pleine liberté pour négocier les arrangements qu'elle estimera appropriés avec les débiteurs ou avec des tiers, transiger avec eux sur les créances et ce qui les garantit, et même renoncer aux créances et aux garanties, sans l'accord ni l'intervention du *constituant*, sans de ce fait encourir de responsabilité envers lui ni avoir à lui rendre compte. Sauf sur demande écrite du *constituant*, elle ne sera pas tenue de l'informer d'une quelconque irrégularité dans le paiement des sommes exigibles sur les créances. Outre son obligation de rendre au *constituant* les sommes perçues qui excèdent les *obligations* en capital, intérêts et frais, la *banque* ne lui devra aucun compte sur l'état des perceptions effectuées ni sur les transactions et arrangements passés.

4.3 DÉPÔTS AUPRÈS DE LA BANQUE

Quant aux créances représentant des dépôts bancaires auprès de la *banque* (i) le *constituant* n'aura aucun droit d'en exiger le remboursement tant qu'elles continueront à garantir les *obligations*, (ii) la *banque* pourra utiliser les sommes en cause à ses propres fins, sous la seule obligation de remettre au *constituant* le même montant dans la même devise à l'extinction de l'hypothèque et (iii) la *banque* pourra, en tout temps et sans avis préalable au *constituant*, révoquer tout terme dont serait assorti un dépôt pour le rendre échu et passer toutes les écritures comptables appropriées pour refléter l'emploi de tout dépôt à la diminution ou à l'extinction des *obligations*, par l'effet de la compensation.

4.4 DÉPÔTS AUPRÈS DE SOCIÉTÉ D'HYPOTHÈQUES DE LA BANQUE ROYALE

Quant aux créances représentant des dépôts auprès de la Société d'Hypothèques de la Banque Royale, le cas échéant, la *banque*, à titre d'agent et au nom de celle-ci, acquiesce à l'hypothèque constituée sur ces dépôts par le présent acte.

4.5 RENSEIGNEMENTS

La *banque* pourra toujours vérifier l'existence et l'état des créances comme elle le voudra. Le *constituant* lui fournira l'aide et les renseignements nécessaires pour ce faire et prendra les mesures que la *banque* pourra raisonnablement exiger à cet égard: il permettra notamment à la *banque* et à ses mandataires de pénétrer dans les locaux qu'il occupe et de consulter ses livres comptables et registres de même que tout document concernant les créances, et d'en faire des copies.

Le *constituant* autorise spécifiquement la *banque* à communiquer avec toute tierce partie pour obtenir ou transmettre tous renseignements personnels et toute information relative aux créances et au *constituant* aux fins de vérification et de perception des créances.

5. DISPOSITIONS RELATIVES À L'HYPOTHÈQUE DE VALEURS MOBILIÈRES

Les dispositions qui suivent s'appliquent si une ou plusieurs *valeurs mobilières* du *constituant* sont hypothéquées en faveur de la *banque*.

5.1. INTERPRÉTATION

À moins que le contexte ne s'y oppose, le terme «valeurs» et l'expression «valeurs mobilières» comprennent les renouvellements, substitutions et additions dont elles font l'objet, et les *valeurs mobilières* et autres biens reçus ou émis lors de toute transformation de ces *valeurs mobilières*, de même que tout revenu qui en est tiré et tout droit qui en résulte.

Aucune des dispositions du présent article 5 ne restreint les droits et recours de la *banque* aux termes de l'article 4 ci-dessus quant à toute créance qui constitue aussi une *valeur mobilière*.

5.2 VALEURS MOBILIÈRES HYPOTHÉQUÉES AVEC DÉPOSSESSION

Les dispositions qui suivent s'appliquent aux *valeurs mobilières* hypothéquées aux termes du présent acte et mises en possession de la *banque* ou remises à un tiers convenu par lequel la *banque* exerce sa détention.

(a) Remise

Le *constituant* s'engage à remettre à la *banque* ou à un tiers convenu entre eux, concurremment à la signature du présent acte par le *constituant*, toutes les *valeurs mobilières* décrites au paragraphe 1.2(b)(5) à titre de biens hypothéqués particuliers, dûment endossées en blanc pour fins de transfert et accompagnées de toute procuration, document et confirmation que la *banque* pourra raisonnablement exiger à cette fin.

Le *constituant* s'engage de plus à remettre à la *banque* ou au tiers ainsi nommé, dès que le *constituant* y aura droit, les renouvellements, substitutions et additions dont elles font l'objet, et les *valeurs mobilières* et autres biens reçus ou émis lors de l'achat, du rachat, de la conversion, de l'annulation ou d'une autre transformation de celles-ci, de même que tout revenu qui en est tiré et tout droit qui en résulte. Le cas échéant, ceux-ci seront endossés en blanc pour fins de transfert et accompagnés de toute procuration, document et confirmation que la *banque* pourra raisonnablement exiger à cette fin.

La *banque* ou, le cas échéant, le tiers nommé par elle ou tout agent ou correspondant les représentant, devra détenir les *valeurs* avec le même soin qu'il y apporterait si elles lui appartenaient et que s'il les conservait là où elles se trouvent.

(b) Dépôt et inscription en compte

La *banque* aura possession des *valeurs* mises en gage et en assurera la garde soit dans ses succursales ou autres bureaux, soit auprès d'un agent ou correspondant nommé par la *banque* et approuvé par le *constituant*. Elle peut aussi déposer, à moins qu'elles ne le soient déjà, les *valeurs* admissibles à cette fin auprès de La Caisse canadienne de dépôt de valeurs Limitée, auprès de The Depository Trust Company, ou auprès d'une société de compensation ou autre organisme dépositaire, ou de leur mandataire; ceci, dans le cadre d'ententes avec un dépositaire prévoyant le transfert des *valeurs* au moyen d'écritures comptables, sans transfert d'autre preuve de propriété (grâce au système d'inscription en compte), auquel cas ce dépositaire ou son mandataire agira toujours en qualité de mandataire de la *banque* et n'acceptera des instructions que de la part de la *banque* ou d'un mandataire de celle-ci.

Dans le système d'inscription en compte, la preuve de propriété des *valeurs* données en gage à la *banque* par le *constituant* peut être détruite; elle peut aussi être remplacée par une unique preuve de propriété indiquant la position globale du dépositaire ou de son mandataire sur chaque *valeur*. La seule preuve de propriété des *valeurs* déposées auprès du dépositaire est alors les comptes dont il est fait état au paragraphe (c) ci-dessous. La *banque* peut donner foi à toute instruction ou information que lui communique le dépositaire à l'égard des *valeurs*. Sous réserve des engagements du *constituant* à l'égard du relevé de compte que lui fournit la *banque*, tels que stipulés au paragraphe (c) ci-dessous, la *banque* accepte la même responsabilité quant aux *valeurs* confiées à un dépositaire que si des certificats représentant ces *valeurs* étaient déposés auprès d'elle.

(c) Preuve de propriété

La *banque* tient des comptes et conserve des justificatifs pour les *valeurs* actuellement ou ultérieurement déposées auprès d'elle, ou confiées à la garde d'un dépositaire, conformément à la présente convention. En l'absence d'erreur manifeste, ces comptes constituent la preuve concluante de la propriété des *valeurs* détenues par la *banque* ou confiées à la garde du dépositaire.

(d) Relevé des valeurs

Dans les cas où la *banque* fournit des relevés contenant la liste des *valeurs* :

- (1) le *constituant* s'engage à vérifier l'exactitude de chaque relevé;
- (2) au cas où le *constituant* n'aurait pas reçu le relevé, au plus tard 10 jours après la fin du délai convenu pour sa préparation, il lui revient de le demander lui-même à la *banque*;
- (3) dans les 30 jours suivant la date où il aurait dû recevoir le relevé, le *constituant* s'engage à aviser la *banque* par écrit, à la succursale ou au bureau où le compte concernant les *valeurs* est tenu, de toute omission, addition ou autre inexactitude qu'il contient;
- (4) le *constituant* convient que, passé ce délai de 30 jours, le relevé constituera la preuve concluante, sans autre preuve, que sous réserve de toute erreur signalée à la *banque*, le compte contient toutes les *valeurs* qui devraient s'y trouver et aucune autre, et que toutes les écritures qui y figurent sont exactes; dès lors, la *banque* sera à couvert de toute réclamation relative au compte.

(e) Échange ou remplacement des valeurs

Sous réserve des droits qu'elle tire du présent acte, la *banque* peut, en tout temps:

- (1) remettre les *valeurs* détenues par elle ou par un tiers pour son compte, contre réception des sommes payables à l'échéance ou lors du rachat si un avis de rachat est émis avant l'échéance, étant entendu que lorsqu'un avis de rachat sera donné avant l'échéance, la *banque* ne sera nullement tenue de présenter les *valeurs* pour qu'on les lui rachète à moins que le *constituant* ne lui demande par écrit de le faire, après avis,
- (2) remettre les *valeurs* détenues par elle ou par un tiers pour son compte, contre réception des *valeurs* ou autres biens émis lors de toute transformation des *valeurs* hypothéquées, et
- (3) échanger les *valeurs* provisoires ou temporaires contre des *valeurs* définitives.

(f) Demande de remise en gage

La *banque* peut, en tout temps, exiger que le *constituant* lui remettre la possession de la totalité ou de toute partie des *valeurs mobilières* hypothéquées par le présent acte, même si de telles *valeurs mobilières* ne sont pas décrites au paragraphe 1.2(b)(5) ci-dessus. En ce cas, le *constituant* devra immédiatement remettre les *valeurs mobilières* en cause à la *banque*, et les dispositions précédentes de ce paragraphe 5.2 s'y appliqueront.

5.3 DISPOSITIONS APPLICABLES À TOUTES LES VALEURS MOBILIÈRES HYPOTHÉQUÉES

Les dispositions qui suivent s'appliquent à toutes les *valeurs mobilières* hypothéquées aux termes du présent acte: NON-APPLICABLE

(a) **Normes de diligence**

La *banque* ne sera pas:

- (1) obligée de protester une *valeur*, ni de prendre des mesures ou d'intenter des poursuites pour interrompre la prescription, ni pour protéger les *valeurs* contre la dépréciation ou la dévalorisation, ni pour les faire fructifier;
- (2) obligée de protéger le *constituant* contre une perte relative à l'une des *valeurs*; ou
- (3) tenue de voter au sujet d'une *valeur* ou d'une souscription, d'une conversion ou d'un autre droit s'y rapportant, ou d'une fusion, d'une consolidation, d'une réorganisation, d'une ordonnance de séquestre, d'une faillite ou de poursuites pour insolvabilité, d'un compromis ou d'un arrangement, ou du dépôt d'une *valeur* ou autrement, et ne sera pas tenue de participer à de telles dispositions ni de prendre des mesures pertinentes, sauf si le *constituant* lui a donné instruction par écrit de le faire et moyennant l'indemnisation et la rétribution que la *banque* peut exiger.

(b) **Pouvoirs de la banque**

Sous réserve des droits qu'elle tire du présent acte, la *banque* peut en tout temps:

- (1) demander le paiement des *valeurs* et recevoir tous les intérêts, dividendes, remises ou autres versements afférents aux *valeurs* ;
- (2) lorsque des sommes doivent être versées au sujet des *valeurs* dans plus d'une monnaie, les percevoir dans la monnaie que la *banque* peut déterminer à sa discrétion;
- (3) remplir et remettre au nom du *constituant* tous les certificats de propriété relatifs aux *valeurs* que la loi peut exiger;
- (4) à sa discrétion, respecter ou faire respecter par le dépositaire les dispositions de toute législation, réglementation ou ordonnance d'un tribunal ou d'un organisme administratif ou investi d'un pouvoir de réglementation, en vigueur maintenant ou plus tard, qui impose au détenteur d'une *valeur* l'obligation de prendre ou de s'abstenir de prendre des mesures relativement à une *valeur* ou à des versements, remises ou sommes payables à l'égard de l'une quelconque des *valeurs* ; et
- (5) faire inscrire les *valeurs* au nom de la *banque* ou de ses mandataires de telle sorte que la *banque* ou ses mandataires puissent être inscrits comme s'ils étaient propriétaires de ces *valeurs*, sous réserve du droit du *constituant* de recevoir toutes communications aux porteurs ou actionnaires tel que prévu au paragraphe 5.3(d) ci-dessous et de son droit (avant défaut aux termes des présentes) de recevoir de temps à autre une ou des procurations lui permettant d'exercer les droits de vote attachés auxdites *valeurs*.

(c) **Revenus des valeurs**

Au lieu d'exercer son droit de les garder sujets à l'hypothèque constituée par cet acte, la *banque* peut à son gré créditer au compte du *constituant* identifié au paragraphe 1.2(d) ci-dessus, les intérêts, dividendes et autres revenus provenant des *valeurs*.

(d) **Communications aux porteurs/actionnaires**

La *banque* pourra transmettre au *constituant* par courrier ordinaire à son adresse la plus récente connue de la *banque* les communications aux porteurs ou actionnaires qui sont identifiées au paragraphe 1.2(d) ci-dessus. Il lui sera redevable des frais qui découlent des envois effectués.

(e) **Pouvoir de compromis**

La *banque* peut, relativement aux *valeurs*, consentir des délais, prendre et donner des garanties, accepter des compromis, négocier des arrangements, donner des quittances, et généralement transiger avec le *constituant* et avec des tiers toute manière qu'elle jugera appropriée sans porter atteinte à ses droits en vertu des présentes ni modifier les responsabilités du *constituant*.

(f) **Frais**

Le *constituant* s'engage à payer à la *banque*, au taux alors en vigueur à la *banque*, les frais d'administration des *valeurs* et des opérations afférentes, ainsi que tous les autres frais acquittés ou pris en charge à cet égard par la *banque* ou par ses agents, correspondants ou mandataires. Il autorise la *banque* à se faire payer ces frais de la manière indiquée au paragraphe 1.2(d) ci-dessus.

6. DÉFAUTS

6.1 ÉVÉNEMENTS

Le *constituant* sera considéré être en défaut advenant l'un des cas suivants:

- (a) le défaut du *constituant* de payer à échéance ou de se conformer à l'une ou l'autre des *obligations*;
- (b) le défaut de toute tierce partie de payer à échéance ou de se conformer à l'une ou l'autre de ses obligations envers la *banque* aux termes de tout contrat mentionné au paragraphe 1.1(b) du présent acte;
- (c) le défaut du *constituant* de se conformer aux obligations que la loi lui impose à l'égard des *biens hypothéqués*;
- (d) le défaut du *constituant* de payer toute somme exigible ou de respecter l'un ou l'autre de ses engagements en vertu de tout acte constituant des droits grevant un ou plusieurs des *biens hypothéqués* ou les concernant;
- (e) si le *constituant* exploite une entreprise, le fait de cesser de l'exploiter, ou d'en changer la nature de façon importante;

- (f) Le *constituant* ou la tierce partie identifiée au paragraphe 1.1(b) ci-dessus devient ou se reconnaît insolvable, devient en faillite, ou, de façon générale, entreprend des démarches en vue d'arriver à un compromis, un arrangement ou une entente avec ses créanciers, ou en vue de sa liquidation ou de sa mise en faillite;
- (g) des procédures sont entreprises contre le *constituant* ou ladite tierce partie pour le faire liquider ou déclarer en faillite, qui ne sont pas contestées avec diligence par le *constituant* ou cette tierce partie et ne sont pas rejetées ou annulées dans un délai de 21 jours à compter de celui où elles sont intentées;
- (h) en cas de préavis par un créancier prioritaire ou hypothécaire de son intention d'exercer un droit prioritaire ou hypothécaire ou toute autre sûreté, ou en cas d'exercice d'un tel droit ou d'une telle sûreté ou en cas de prise de possession par un créancier garanti ou de nomination d'un séquestre à l'égard de toute partie des *biens hypothéqués*;
- (i) si un *biens hypothéqués* est saisi et que la saisie n'est pas levée dans les dix jours qui suivent;
- (j) au cas d'hypothèque de *valeurs mobilières*, si la valeur de celles-ci a baissé à un niveau que la *banque* considère critique compte tenu de la garantie qu'elles procurent, ou qui justifierait, de l'avis de la *banque*, une liquidation immédiate;
- (k) si l'une ou l'autre des déclarations ou des affirmations faites par le *constituant* dans ou en rapport avec les présentes ou tout autre document relatif aux *obligations* est inexacte;
- (l) si une personne (incluant l'État) autre que le *constituant* exige ou réclame de la *banque* le paiement de la totalité ou d'une partie des sommes que la *banque* peut verser au *constituant* en vertu de tout document relatif aux *obligations*.

6.2 EFFETS

Sans limiter son droit d'exiger à son gré en tout temps le paiement des sommes exigibles à demande, et sous réserve de tous les droits et recours que lui confèrent ses ententes avec le *constituant* ou la loi (notamment quant aux créances hypothéquées):

- (a) dès la survenance de l'un ou l'autre des événements énumérés aux alinéas (a) à (k) du paragraphe 6.1 ci-dessus, la *banque* peut cesser d'avancer des fonds au *constituant* ou de lui laisser du crédit en disponibilité en vertu des documents relatifs aux *obligations* et exiger le paiement complet et immédiat des sommes payables au titre des *obligations*, lesquelles deviendront alors dues et exigibles, et exercer, à son choix, sans restriction, et sans autres préavis que ceux prévus par la loi, tous les droits et recours qui lui sont conférés par la loi, y compris ceux des droits hypothécaires suivants qui sont alors disponibles:
 - la prise de possession pour fins d'administration;
 - la vente par paiement;
 - la vente par la *banque*;
 - la vente sous contrôle de justice;
- (b) la survenance de l'événement prévu à l'alinéa (l) du paragraphe 6.1 ci-dessus met automatiquement fin à toute obligation de la *banque* d'avancer des fonds au *constituant* ou de lui laisser du crédit en disponibilité en vertu des documents relatifs aux *obligations*, sans la nécessité d'un avis ou d'une demande, auxquels le *constituant* renonce expressément, et autorise la *banque* à exercer l'un ou l'autre des droits visés par l'alinéa (a) de ce paragraphe 6.2.

6.3 DROITS DE LA BANQUE

Aux fins de l'exercice des droits hypothécaires de la *banque*, le *constituant* s'engage à délaisser volontairement à la *banque* les *biens hypothéqués* que cette dernière lui indiquera, et à signer tout document ou faire toute chose nécessaire à cette fin. Dès à présent, le *constituant* autorise et mandate irrévocablement la *banque* à signer les documents, à faire les choses, à donner les consentements et à prendre les décisions, pour lui et en son nom, aux fins de la préservation ou de l'exercice des droits hypothécaires de la *banque* ou des mesures préalables à tel exercice, tout comme si le *constituant* signait tels documents, faisait telles choses, donnait tels consentements ou prenait telles décisions, la *banque* pouvant agir à son entière discrétion.

De plus, la *banque* pourra, sans y être tenue, utiliser les locaux où se trouvent les *biens hypothéqués* et les autres biens du *constituant*, aux frais de ce dernier, selon qu'elle le jugera nécessaire.

6.4 RENONCIATION AUX BÉNÉFICES DE DISCUSSION ET DE DIVISION

Dès la survenance du défaut de la tierce partie, le cas échéant, tel que mentionné à l'alinéa (b) du paragraphe 6.1 ci-dessus, la *banque* sera immédiatement en droit de faire valoir ses recours à l'encontre du *constituant*, ce dernier renonçant à cet égard aux bénéfices de discussion et de division.

7. DISPOSITIONS DIVERSES

7.1 NATURE DES OBLIGATIONS

Chacune des *obligations* du *constituant* est indivisible. De plus, au cas où l'une ou l'autre des dispositions du présent acte ou des contrats mentionnés au paragraphe 1.1 ci-dessus sera nulle, sans effet ou réputée non écrite, toutes les autres dispositions du présent acte et de ces contrats demeureront valides et en vigueur comme étant indivisibles desdites dispositions.

7.2 IMPUTATION DES PAIEMENTS

Toute indemnité d'assurance de même que toute autre somme ou autre bien reçu par la *banque* dans l'exercice des droits lui résultant des présentes ou de la loi ou de toute autre manière relativement à tout *bien hypothéqué* par le présent acte pourront être retenus par elle à titre de *bien hypothéqué*, ou être imputés au paiement des *obligations*, échues ou non, ou à d'autres dettes du *constituant*, garanties ou non. La *banque* aura le choix de l'imputation de toute somme perçue, même au titre de l'exécution volontaire des *obligations*, et la *banque* peut, comme elle le jugera préférable, modifier de temps à autre, en tout ou en partie, une telle imputation.

Au cas où les *biens hypothéqués* ou leur produit seraient dans une devise différente de celle des *obligations*, la *banque* est autorisée par les présentes à convertir la somme ou la créance en cause dans la devise des *obligations* au taux de change de la *banque* pour les devises concernées à la date de l'imputation du paiement ou à toute autre date jugée pertinente par la *banque*.

7.3 CUMUL DES DROITS ET EXERCICE DES RECOURS

Les droits constitués en vertu du présent acte s'ajoutent, et ne se substituent pas, à tout autre droit ou sûreté détenu par la *banque*. L'exercice par la *banque* d'un de ses droits ne l'empêchera pas d'exercer tout autre droit lui résultant des présentes, d'une autre sûreté ou de la loi.

La *banque* peut, isolément ou successivement, exercer les droits lui résultant du présent acte en regard de toute partie des *biens hypothéqués*, sans avoir à le faire sur l'ensemble, tout en conservant ses recours sur le reste, et elle n'est aucunement tenue d'exercer ses droits contre toute autre personne tenue aux *obligations* ni de réaliser toute autre sûreté garantissant.

La *banque* peut déléguer à une autre personne l'exercice des droits ou l'accomplissement des obligations lui résultant du présent acte; la *banque* peut alors fournir à cette autre personne tout renseignement qu'elle possède sur le *constituant* ou sur les *biens hypothéqués*.

7.4 SOLIDARITÉ

S'il y a plus d'un *constituant*, chacun est tenu solidairement des *obligations* stipulées au présent acte et qui en découlent. Toutefois, chaque débiteur solidaire renonce au droit d'être subrogé dans les droits de la *banque* et autorise cette dernière à accorder des libérations et renonciations aux autres débiteurs solidaires ou quant aux hypothèques résultant du présent acte, sans pour autant libérer ce débiteur solidaire de ses obligations aux termes du présent acte.

7.5 DEMEURE

Le *constituant* est en demeure d'exécuter les *obligations* par le seul écoulement du temps, sans qu'il y ait besoin d'avis ou de mise en demeure.

7.6 RENONCIATION

Le *constituant* ne peut prétendre qu'une action ou une omission de la part de la *banque* constitue ou implique une renonciation à son droit d'invoquer le défaut du *constituant* ou à faire valoir un droit découlant de ce défaut, à moins qu'elle ne s'en soit exprimée explicitement après la survenance du défaut.

7.7 DÉSIGNATION DE FONDÉS DE POUVOIR

Le *constituant* nomme, par les présentes, comme son mandataire irrévocable, avec pleins pouvoirs de substitution, chacun de la *banque*, du directeur, du directeur suppléant, du directeur de compte et du directeur adjoint en exercice de toute succursale ou bureau de la *banque* où le *constituant* a un compte, ou où une copie du présent acte ou toute partie des *biens hypothéqués* est conservée, pour donner effet à toutes les dispositions du présent acte et aux documents et autres mesures auxquels le *constituant* a consenti ou qui peuvent être requis pour donner effet au présent acte ou dans l'exercice des pouvoirs que le présent acte confère à la *banque*, notamment, pour endosser ou transporter tout ou partie des *valeurs* en faveur de la *banque* ou de ses agents, correspondants ou mandataires, ainsi que tout dépositaire, afin que la *banque*, ses agents, correspondants ou mandataires puissent être inscrits comme propriétaires des *valeurs*, et pour obtenir de toute autorité fiscale en tout temps, si jugé utile, tout renseignement nécessaire pour permettre à la *banque* de déterminer le montant des dettes fiscales dû à ces autorités. Le *constituant* confère aussi à chacun de ces fondés de pouvoir le droit de se servir de son nom chaque fois qu'il le jugera nécessaire ou approprié aux fins du présent acte.

7.8 ÉLECTION DE DOMICILE

Toute signification, notification ou mise en demeure doit être faite au *constituant* à son domicile. Toutefois, si la *banque* ne parvient pas à y trouver le *constituant*, elles peuvent être faites au bureau du greffier de la Cour supérieure du district où est située la majeure partie des *biens hypothéqués* où le *constituant* élit domicile pour ce cas.

7.9 INTERPRÉTATION

Chaque fois que le contexte l'exige, le genre et le nombre des mots sont interchangeable.

7.10 DROIT APPLICABLE

Ce contrat est régi et interprété par le droit en vigueur dans la province de Québec.

7.11 DATE DU CONTRAT

Ce contrat est réputé conclu à la date inscrite avant la signature du *constituant*, même si la signature de la *banque* n'est pas apposée concurremment.

SIGNATURES

Signé à MONTRÉAL / QUÉBEC
(lieu) *(province)*

le 02 / DÉCEMBRE / 1998
(jour) *(mois)* *(année)*

créancier:

BANQUE ROYALE DU CANADA

Centre d'affaires
360, rue St-Jacques
Montréal, Québec
H2Y 1P6

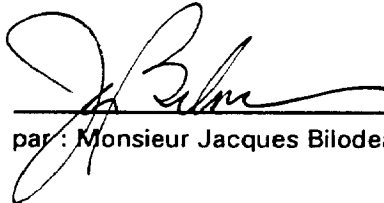
constituant:


TOON BOOM TECHNOLOGIES USA INC.
(nom)

7, rue Laurier est
Montréal, Québec
H2T 1E4

*adresse (principale place d'affaires
ou résidence principale)*

p.p. _____


par : Monsieur Jacques Bilodeau, président

Témoin:


TOON BOOM TECHNOLOGIES U.S.A. INC.**ANNEXE**

Conformément à l'article 2.1c) de l'acte d'hypothèque auquel ce document est annexé, les priorités, hypothèques, sûretés et autres droits enregistrés au nom de TOON BOOM TECHNOLOGIES U.S.A. INC. (index du RDPRM en date du 11 novembre 1998) et dont les dates sont antérieures à la présente hypothèque sont :

<u>Numéro d'enregistrement</u>	<u>Date</u>	<u>Titulaire</u>	<u>Biens</u>	<u>Montant</u>
98-0142987-0001	1998-10-22	Montréal Trust	Universalité des biens meubles corporels et incorporels, présents et futurs (notamment les droits de propriété intellectuelle sur le logiciel Usanimation)	
98-0141296-0008	1998-10-20	CDPQ	Universalité des biens meubles, corporels et incorporels, présents et futurs (notamment les droits de propriété intellectuelle sur le logiciel Usanimation)	1,500,000.00\$
98-0141296-0005	1998-10-20	BDC	Universalité des biens meubles, corporels et incorporels, présents et futurs (incluant les droits de propriété intellectuelle sur le logiciel Usanimation)	1,000,000.00\$
98-0141296-0007	1998-10-20	Innovatech	Universalité des biens meubles, corporels et incorporels, présents et futurs (incluant les droits de propriété intellectuelle sur le logiciel Usanimation)	750,000.00\$
98-0141296-0006	1998-10-20	FICC	Universalité des biens meubles, corporels et incorporels, présents et futurs (incluant les droits de propriété intellectuelle sur le logiciel Usanimation)	250,000.00\$

INTERCREDITOR AGREEMENT entered into at Montreal, Quebec, on the 9th day of October, 1998.

AMONG:

ROYAL BANK OF CANADA, a Canadian chartered bank subsisting under the *Bank Act* (Canada), having a place of business at 360 St. Jacques Street, Montreal, Quebec, H2Y 1P6, herein acting and represented by Helene Gauthier, Account Manager, duly authorized for all purposes hereof as so declared and warranted;

("ROYAL")

AND:

CAPITAL COMMUNICATION CDPQ INC., a corporation duly incorporated under the laws of Quebec, having its head office at 1981 McGill College Avenue, Suite 800, Montreal, Quebec, H3A 3C7, herein acting and represented by _____, duly authorized for all purposes hereof as so declared and warranted;

("CDPQ")

AND:

SOCIÉTÉ INNOVATECH DU GRAND MONTRÉAL, a legal person duly formed under an *Act Respecting the Société Inovatech de Grand Montréal (Québec)*, having its head office at 2020 University, Suite 1527, Montreal, Quebec, H3A 2A5, herein acting and represented by Hubert Manseau, its President and its Chief Executive Officer, duly authorized for all purposes hereof as so declared and warranted;

("INNOVATECH")

AND:

FONDS D'INVESTISSEMENT DE LA CULTURE ET DES COMMUNICATIONS, SOCIÉTÉ EN COMMANDITE, a limited partnership duly constituted under the laws of Quebec, having its head office at 1155 University Street, Suite 1301, Montreal, Quebec, H3B 3A7, herein acting and represented by its general partner, GESTION DU FONDS D'INVESTISSEMENT DE LA CULTURE ET DES COMMUNICATIONS INC., herein acting and represented by Marcel Choquette, its President, duly authorized for all purposes hereof as so declared and warranted;

("FICC")

AND:

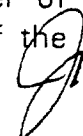
BUSINESS DEVELOPMENT BANK OF CANADA, a bank duly formed under an *Act Respecting the Business Development Bank of Canada (Canada)*, having its head office at 5 Place Ville Marie, Suite _____, Montreal, Quebec, H3B 2G2, herein acting and represented by _____, duly authorized for all purposes hereof as so declared and warranted;

("BDC")

(CDPQ, INNOVATECH, FICC and BDC sometimes collectively the "INSTITUTIONAL INVESTORS")

AND:

MONTREAL TRUST COMPANY/COMPAGNIE MONTREAL TRUST, in its capacity as power of attorney, agent and mandatary of the



"HOLDERS" (as hereinafter defined), having its head office at 1800 McGill College Avenue, Montreal, Quebec, H3A 3K9, herein acting and represented by Rosemary Labbé, its Trust Officer, and Guy Lesperance, its Manager - Client Servicing, duly authorized for all purposes hereof as so declared and warranted;

(the "AGENT")

WHEREAS TOON BOOM TECHNOLOGIES INC. (the "COMPANY") is indebted towards ROYAL, the INSTITUTIONAL INVESTORS and to the holders of promissory notes issued on October 9, 1998 (the "NOTES"), which holders along with the principal amounts represented by their respective NOTES are listed in Schedule "A" annexed hereto to form part hereof (the "HOLDERS").

WHEREAS the COMPANY and TOON BOOM TECHNOLOGIES U.S.A. INC. (the "SUBSIDIARY") have granted security over their assets to secure indebtedness and obligations owing towards ROYAL, the INSTITUTIONAL INVESTORS and the HOLDERS.

WHEREAS, the parties hereto are desirous of establishing certain priorities of rank with respect to the security held by each of them over the assets of the COMPANY and the SUBSIDIARY, the whole in accordance with the terms and conditions herein set forth.

NOW, THEREFORE, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

1. PREAMBLE

1.1 The preamble hereto shall form part hereof as if recited at length herein.

2. INTRODUCTORY PROVISIONS

2.1 For the purposes hereof:



2.1.1 "ACCOUNTS RECEIVABLE" means all present and future claims, accounts receivable, rights of action and debts owing by any third party to the COMPANY and/or the SUBSIDIARY, including, without limitation, all present and future tax credits or other amounts owing to the COMPANY and/or the SUBSIDIARY under any income tax or other fiscal legislation as well as all indemnities of insurance relating thereto;

2.1.2 "ASSETS" means all present and future tangible and intangible property, assets and undertakings of any nature whatsoever of the COMPANY and the SUBSIDIARY;

2.1.3 "CLUB SECURITY" means that certain hypothec executed by the COMPANY in favour of CLUB D'INVESTISSEMENT MÉDIA ("CLUB") on June 7, 1995 and registered in the Register of Personal and Movable Real Rights under number 95-0086426-0001;

2.1.4 "EQUIPMENT" means all present and future machinery and equipment owned by the COMPANY, as well as all indemnities of insurance relating thereto;

2.1.5 "HOLDERS OBLIGATIONS" means all present and future indebtedness and obligations of the COMPANY and the SUBSIDIARY towards the HOLDERS for the payment and delivery of all "Merger Consideration" as defined in and under that certain "Restructuring Agreement" dated August 24, 1998, by and among the COMPANY, the SUBSIDIARY, the INSTITUTIONAL INVESTORS and the other parties thereto and under that certain "Guaranty" and that certain "Security Agreement" executed by the SUBSIDIARY in favour of the HOLDERS and the AGENT, including, without limitation, all indebtedness and obligations pursuant to the NOTES plus all applicable interest, costs and accessories thereto;

2.1.6 "HOLDERS SECURITY" means all hypothecs, charges and other security interests presently or in the future held by or on behalf of the HOLDERS over and upon the ASSETS, including, hypothecs, charges and other security interests held by the AGENT, in order to secure the HOLDERS OBLIGATIONS;



2.1.7 "INSTITUTIONAL INVESTORS OBLIGATIONS" means all present and future indebtedness and obligations of the COMPANY and the SUBSIDIARY towards the INSTITUTIONAL INVESTORS pursuant to those certain Convertible Debentures issued by the COMPANY on August 21, 1998 and October 9, 1998 and under those certain Guarantees executed by the SUBSIDIARY in favour of the INSTITUTIONAL INVESTORS plus all applicable interest, costs and accessories thereto;

2.1.8 "INSTITUTIONAL INVESTORS SECURITY" means all hypothecs, charges and other security interests presently or in the future held by or on behalf of the INSTITUTIONAL INVESTORS over and upon the ASSETS in order to secure the INSTITUTIONAL INVESTORS OBLIGATIONS;

2.1.9 "LEASEHOLD IMPROVEMENTS" means the present and future leasehold improvements owned by the COMPANY as well as all indemnities of insurance relating thereto;

2.1.10 "ROYAL OBLIGATIONS" means all present and future indebtedness and obligations of the COMPANY and the SUBSIDIARY towards ROYAL plus all applicable interest, costs and accessories thereto resulting from loans, advances and/or credit facilities made or to be made by ROYAL to the COMPANY and/or to the SUBSIDIARY but shall not include the obligations of the COMPANY and/or the SUBSIDIARY as guarantors, sureties or otherwise for the indebtedness of any third party other than the COMPANY and/or the SUBSIDIARY towards ROYAL;

2.1.11 "ROYAL SECURITY" means all hypothecs, charges and other security interests presently or in the future held by or on behalf of ROYAL over and upon the ASSETS in order to secure the ROYAL OBLIGATIONS;

2.1.12 "SECURITY INSTRUMENTS" means the ROYAL SECURITY, the INSTITUTIONAL INVESTORS SECURITY and the HOLDERS SECURITY;

2.1.13 "TERM DEPOSIT" means that certain term deposit in the principal amount of CDN\$50,000.00 evidenced by certificate number 00760010516-0003 presently hypothecated to and in favour of ROYAL pursuant to the



hypothec registered at the *Register of Personal and Movable Real Rights* under number 98-0058732-0001, as well as all renewals, replacements and/or substitutions thereof;

2.1.14 "TIC TAC TOON ASSETS" means all right, title and interest of the COMPANY and the SUBSIDIARY in and to the "Tic Tac Toon" trademark and the "Tic Tac Toon" software more fully described in Schedule "B" annexed hereto to form part hereof.

2.2 When the context in which the words are used in this Agreement indicates that such is the intent, words in the singular number shall include the plural and vice versa. References to any gender shall include any other gender as may be applicable under the circumstances.

2.3 The terms "herein", "hereof", "hereunder" and other words of similar nature mean and refer to this Agreement as a whole and not merely as to the specific paragraph or clause in which the respective word appears unless expressly so states.

2.4 The headings of all sections hereof are inserted for convenient reference only and shall not affect the construction or interpretation hereof.

3. RANK

3.1 ROYAL, the INSTITUTIONAL INVESTORS and the AGENT hereby irrevocably and unconditionally agree with one another in that all hypothecs, charges and other security interests presently or in the future held by them or on their behalf over and upon the ASSETS, pursuant to each of the SECURITY INSTRUMENTS, shall, notwithstanding dates of execution, registration, filing, crystallization or enforcement, rank such that:

3.1.1 with respect to the TIC TAC TOON ASSETS:

(a) all rights pursuant to the CLUB SECURITY shall rank and subsist in priority to and ahead of all rights pursuant to the SECURITY INSTRUMENTS for the full amount of all obligations owing to CLUB secured by the CLUB SECURITY;



(b) all rights pursuant to the ROYAL SECURITY shall rank and subsist subordinate to all rights pursuant to the CLUB SECURITY, but in priority to and ahead of all rights pursuant to the HOLDERS SECURITY and the INSTITUTIONAL INVESTORS SECURITY for the full amount of the ROYAL OBLIGATIONS; and,

(c) the INSTITUTIONAL INVESTORS SECURITY and the HOLDERS SECURITY shall rank behind the CLUB SECURITY and the ROYAL SECURITY *pari passu*, without preference or priority towards one another.

3.1.2 with respect to the ACCOUNTS RECEIVABLE:

(a) all rights pursuant to the ROYAL SECURITY shall rank and subsist in priority to and ahead of all rights pursuant to the other SECURITY INSTRUMENTS for the full amount of the ROYAL OBLIGATIONS; and,

(b) all rights pursuant to the HOLDERS SECURITY shall rank and subsist subordinate to all rights pursuant to the ROYAL SECURITY, but in priority to and ahead of all rights pursuant to the INSTITUTIONAL INVESTORS SECURITY for the full amount of the HOLDERS OBLIGATIONS;

3.1.3 with respect to the LEASEHOLD IMPROVEMENTS, the EQUIPMENT and the TERM DEPOSIT:

(a) all rights pursuant to the ROYAL SECURITY shall rank and subsist in priority to and ahead of all rights pursuant to the HOLDERS SECURITY and the INSTITUTIONAL INVESTORS SECURITY for the full amount of the ROYAL OBLIGATIONS; and,

(b) the INSTITUTIONAL INVESTORS SECURITY and the HOLDERS SECURITY shall rank behind the ROYAL SECURITY *pari passu*, without preference or priority towards one another.



3.1.4 with respect to the ASSETS other than the TIC TAC TOON ASSETS, the ACCOUNTS RECEIVABLE, the LEASEHOLD IMPROVEMENTS, the EQUIPMENT and the TERM DEPOSIT, the ROYAL SECURITY, the INSTITUTIONAL INVESTORS SECURITY and the HOLDERS SECURITY shall rank *pari passu*, without preference or priority towards one another.

3.2 In the event of realization by any of the parties hereto (the "REALIZING PARTY") under the SECURITY INSTRUMENTS or any portion thereof (i) the parties shall be collocated and paid upon and out of the proceeds thus realized in accordance with the priorities established in Section 3.1 hereof, and (ii) in the event that any REALIZING PARTY exercises its right to sell all or any portion of the ASSETS pursuant to Article 2784 of the *Civil Code of Quebec*, then all other parties ranking below the REALIZING PARTY or *pari passu* with the REALIZING PARTY shall not in any manner whatsoever impede the REALIZING PARTY and/or its representatives from realizing upon the ASSETS and upon simple request by the REALIZING PARTY, but without in any manner waiving and renouncing to their entitlement to any proceeds of realization in accordance with the priorities set forth herein, shall immediately waive and renounce to the whole or any portion of the real rights created by the SECURITY INSTRUMENTS held by such parties in and to such ASSETS forming the object of the REALIZING PARTY's realization;

3.3 In the event of any sale or disposal of the whole or any portion of the ASSETS under the SECURITY INSTRUMENTS and/or judicial sale of the whole or any portion of the ASSETS, the parties hereto shall be collocated and be paid upon and out of the proceeds thus realized in accordance with the priorities set forth herein.

3.4 In the event that, pursuant to the exercise of the hypothecary recourse of taking in payment in virtue of Article 2778 and following of the *Civil Code of Quebec*, a REALIZING PARTY becomes the owner of the whole or any portion of the ASSETS with respect to which the SECURITY INSTRUMENTS held by one or more of the other parties hereto rank *pari passu* with the SECURITY INSTRUMENTS held by the REALIZING PARTY (the "PARI PASSU ASSETS"), then the PARI PASSU ASSETS shall remain charged with such SECURITY INSTRUMENTS and the proceeds of the sale of such PARI PASSU ASSETS shall be dealt with in accordance with Clause 5.1 hereof.

3.5 The priorities set forth and agreed to herein shall be and remain in full force and effect notwithstanding (i) dates of execution and registration and/or granting of the



SECURITY INSTRUMENTS, and (ii) any and all priorities of rank presently or in the future existing under law but shall nevertheless be and remain in force only to the extent of the validity and enforceability of each of the SECURITY INSTRUMENTS.

4. EXERCISE OF SECURITY

4.1 Notwithstanding anything herein contained, in no circumstances whatsoever shall any party hereto be entitled to realize upon or cause or enforcement of any of the SECURITY INSTRUMENTS unless and until such party shall have provided the other parties hereto with fifteen (15) days prior written notice of such parties' intention to realize or cause enforcement of the SECURITY INSTRUMENTS held by same indicating the assets to be realized upon the and the proposed method of realization.

5. IMPUTATION OF PROCEEDS

5.1 It is hereby agreed by the parties hereto that any and all proceeds resulting from (i) the realization, sale or disposal of the whole or any portion of the PARI PASSU ASSETS, (ii) payment of insurance indemnities or any sums paid by an insurer of the PARI PASSU ASSETS, or (iii) any amounts paid as the result of the winding up, liquidation or bankruptcy of the COMPANY and/or the SUBSIDIARY in connection with the SECURITY INSTRUMENTS over the PARI PASSU ASSETS, such proceeds and/or amounts shall be imputed in the following order, namely:

5.1.1 the payment and reimbursement of all amounts, fees and/or expenses incurred and paid by any of the parties hereto, or its representative, in order to conserve, protect and realize upon the PARI PASSU ASSETS;

5.1.2 the *pro rata* payment, reimbursement and/or reduction of any amounts in interest owing under the ROYAL OBLIGATIONS, the INSTITUTIONAL INVESTORS OBLIGATIONS and the HOLDERS OBLIGATIONS;

5.1.3 the *pro rata* payment, reimbursement and/or reduction of any balances in capital of the ROYAL OBLIGATIONS, the INSTITUTIONAL INVESTORS OBLIGATIONS and the HOLDERS OBLIGATIONS; and,



5.1.4 the *pro rata* payment, reimbursement and/or reduction of any other amounts due to the parties hereto.

5.2 The determination of each party's *pro rata* share shall be determined on the date of the realization, the payment of any insurance indemnities, or the date of the liquidation, bankruptcy or distribution, as the case may be.

6. NO ASSIGNMENT

6.1 The parties hereto shall not be entitled to transfer and assign their respective rights, title and interest in and to the SECURITY INSTRUMENTS and the rights contained herein without first having obtained the prior written consent of the other parties hereto.

7. NOTICE

7.1 All written notices, demands and requests of any kind which a party hereto may be required or may desire to serve upon the other parties may be delivered by courier or other means of personal service (including, without limitation, recognized overnight courier service), by registered or certified mail or by telex or telecopier. Any such notice or demand so delivered by registered or certified mail shall be deposited in the mail of the United States or Canada, or in the case of a courier, deposited with the courier with postage thereon fully prepaid. All notices shall be directed to the parties at their respective addresses set forth above.

8. CONSENTS

8.1 The parties hereto give and grant to the COMPANY and the SUBSIDIARY all necessary consent to the granting and creation of the SECURITY INSTRUMENTS, the whole notwithstanding anything stipulated in the SECURITY INSTRUMENTS.

9. GENERAL

9.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada in force therein applicable to contracts made and to be performed wholly within such Province and without regard to the conflicts of laws and principles thereof. Any suit brought in connection

herewith, including any and all legal proceedings to enforce this Agreement, whether they are in contract, toward equity or otherwise, shall be brought in the Provincial or Federal Courts sitting in Montreal, Province of Quebec, the parties hereto waiving any claim or defense that such forum is not convenient or proper. Each of the parties hereby agrees that any such Court shall have *in personam* jurisdiction over it, consents to service or process in any manner, including first class mail, certified mail or registered mail, or in any other manner authorized or permitted by Quebec law, and agrees that a final Judgment in such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit of a judgment or in any manner specified by law.

9.2 The parties hereto do hereby agree to sign all documents and to do all things necessary to give full and proper effect to the provisions of this present Agreement.

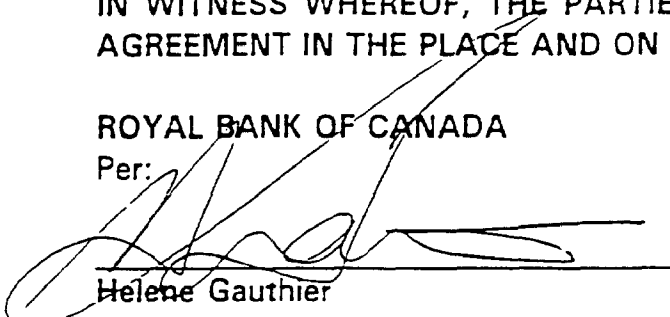
9.3 These presents may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one in the same Agreement.

9.4 The parties hereto acknowledge that they have agreed and are satisfied that the foregoing, as well as all notices, actions and legal proceedings be drawn up in the English language. / Les parties à ce document reconnaissent qu'elles ont consenti que ce qui précède ainsi que tous avis, actions ou procédures légales soient rédigés et exécutés en anglais et s'en déclarent satisfaites.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE EXECUTED THE PRESENT AGREEMENT IN THE PLACE AND ON THE DATE HEREINABOVE MENTIONED.

ROYAL BANK OF CANADA


Per:



Helene Gauthier
Account Manager

CAPITAL COMMUNICATION CDPQ INC.

Per:



Helene Belanger



SOCIÉTÉ INNOVATECH DE GRAND MONTRÉAL

Per:



Hubert Manseau
President and Chief Executive Officer

FONDS D'INVESTISSEMENT DE LA CULTURE
ET DES COMMUNICATIONS, SOCIÉTÉ EN COMMANDITE

Per its general partner GESTION DU FONDS D'INVESTISSEMENT
DE LA CULTURE ET DES COMMUNICATIONS INC.

Per:



Marcel Choquette
President

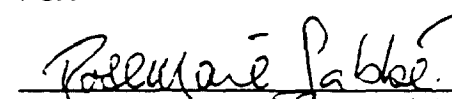
BUSINESS DEVELOPMENT BANK OF CANADA

Per:

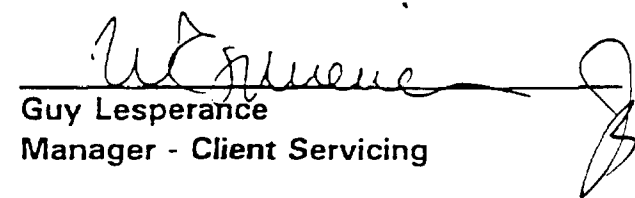


MONTREAL TRUST COMPANY/
COMPAGNIE MONTREAL TRUST, in its capacity
as power of attorney, agent and mandatary of the HOLDERS

Per:


~~Rosemary Labbé~~ Rose-Marie Labbé
Trust Officer

Per:



Guy Lesperance
Manager - Client Servicing

SCHEDULE "A"

Names of the holders of the promissory notes	Amount of the notes
Adler, David	655.79 \$
Aun, Insook	2 125.84 \$
Aun, Insook, Trustee of the Kilpying Aun, D.D.S., A Professional Corporation, Retirement Trust	4 960.29 \$
Beck, Dale	655.79 \$
Bharat, K.D.Bhan	2 427.45 \$
Caldwell, Barbara J.	2 362.76 \$
California Central Trust Bank cust FBO C. Anthony Stellar A/C #1060443099	9 226.81 \$
Chen, Alberto Jorge Ho	2 030.99 \$
Chen, Vivian Wai-Wai	4 251.68 \$
Chou, John	6 068.62 \$
Colburn, Norman, Trustee of the Normand Colburn trust	1 213.72 \$
Collins, Robert	5 652.27 \$
Crone, Charles F., M.D.	2 427.45 \$
Crone, Charles F., M.D., A Medical Corporation, A Money Purchase Pension Plan and Trust	573.90 \$
Danzi, Michael R.	2 637.85 \$
Danzi, Michael R., Trustee of the Danzi Family Living Trust, dated July 30, 1993	25 458.26 \$
Davies, Paul M. and/or Catherine E., Trustees of the Davies Family Revocable Trust U/D/T/ 10/1/87	11 337.80 \$
Deibel, Charles J.	2 427.45 \$
Digital Editions, Inc.	157 874.62 \$
DLJSC, Custodian F/B/O Frank Thu-Ching Shu Individual Retirement Account	2 366.77 \$
Donaldson, Lutkin & Jenrette Securities Corporation (TIN 13-2741729) Custodian F/B/O Michael R. Anderson, Acct. #3LY 050322-1	4 854.90 \$
Donaldson, Lutkin & Jenrette Securities Corporation (TIN 13-2741729) Custodian F/B/O James L. Overman, Account #3LY 902167-1	4 854.90 \$
Finlay, William J. & Gloria J.K.	6 068.62 \$
Friedman, Layne	366.94 \$
Froehlich, Richard T., M.D., Custodian for Benjamin Rotnman Froehlich UGTMA	1 820.59 \$
Froehlich, Richard T. IRA	8 143.29 \$
Froehlich, Richard T., M.D., Trustee of the Froehlich Family Trust	31 273.76 \$
Gaw, Harold	499.65 \$
Gilbert, Elizabeth H.	2 366.77 \$
Goldberg, Bennet R.	8 169.24 \$

Goldberg, Lawrence M.	38 733,10 \$
Greenbaum, David	2 427,45 \$
Gregoire, Ronald W.	2 834,45 \$
Gubener, George J.	4 248,03 \$
Haeringer, Gerald C., Trustee of the Gerard C. Haennger Revocable Trust Dated March 5, 1993	6 068,62 \$
Haeringer, Lisa K., Trustee of the Lisa K. Haennger Revocable Trust Dated March 5, 1993	6 068,62 \$
Harvey, Charles T.	4 248,03 \$
Huske, Ronald D. Sr.	4 854,90 \$
Ingram, Philip F.	20 236,85 \$
Joliff, Andrew	281,05 \$
Keith, Robert H. & Eisa S. Co-Trustees of the Revocable living trust (09 December 93) of Robert H. and Eisa S. Keith	6 068,62 \$
Keystone Consulting Group, Inc.	141 893,80 \$
Kouyoumjian, Raymond H.	6 068,62 \$
La Haye, Charles Jr. & Charles JTWROS	2 016,82 \$
Larson, Lawrence H. & Janice L., JTWS	21 240,17 \$
Lee, Barbara C C.	1 213,72 \$
Lee, Johnson Y.	2 534,66 \$
Leung, Dominic P.	1 417,29 \$
Leung, Nelson	4 251,68 \$
Lin, Chang T. Trustee of the Chang T. Lin, M.D., Sole Proprietor, Defined Benefit Pension Plan Trust	6 068,62 \$
Little, Douglas	281,05 \$
Lwin, Nyunt, Trustee of the Nyunt Lwin, M.D. Retirement Trust	2 125,84 \$
Marcot, Paul	4 684,20 \$
Masters, Robert K., M.D., Separate Individual Retirement Account	4 892,32 \$
Masters, Joan M.	6 068,62 \$
May, Tom F.	20 236,85 \$
Merrill Lynch Custodian F/B/O F. Scott Jackson, Account 207-866T06	4 621,74 \$
Meyer, Michael	655,79 \$
Miller, Mark	5 428,84 \$
Meloen, Stephen R.	2 997,89 \$
Miller, Richard A., Trustee of the Miller Revocable Intervivos Trust U/D/T 11/29/90	12 137,24 \$
Miles, Shelley	18 736,80 \$
Minaya, Gloria	281,05 \$
Ming, Richard L. & James L., Jr.	2 427,45 \$
Pastorino, Charles L.	12 137,24 \$
Perdigao, G. Michael and George V.	2 834,45 \$
Petersen, Audrey L.	2 838,08 \$
Petersen, Denise	1 213,72 \$

SCHEDULE "B"

TIC TAC TOON is a computerized animation software targeting the cartoon production market. In 1995, TIC TAC TOON was perceived as being the only system that was entirely vector based and independent from resolution, for drawings as well as stage settings. It was also perceived as being the first product of the new generation of software dedicated to the cartoon market. At that date, it was also the only system which respected the artist's style and line art (high resolution and uning of invisible lines). This characteristic was essential for major studios.

Key system features:

- Developed for facilities which want to have a fully digital production line
- Pressure sensitive tablet with virtual light table
- 3D multi-plane camera environment
- Vector-based background module with custom brush effects
- Automatic lip assignment module with dual audio tracks
- Integrated data base for managing multi-host production data


Toon Boom Technologies Inc and Toon Boom Technologies USA Inc are responsible for the worldwide marketing, sales, development and support of TIC TAC TOON.

Toon Boom Technologies Inc. owns all the intellectual property rights related to the TIC TAC TOON Software

Version Developed over the years:

DEC 1.1
SGI 1.5
1.6
2.0
2.1
2.2 to be released in 1998

TIC TAC TOON and TIC TAC SCAN trademarks are not registered



**ROYAL BANK OF CANADA
&
TOON BOOM TECHNOLOGIES U.S.A. INC.**

DEED OF MOVABLE HYPOTHEC

Preamble: In this Deed, the Royal Bank of Canada is referred to as the "Bank" and the party granting the hypothecary rights is referred to as the "Grantor". Unless otherwise indicated by the context, "Obligations" means the obligations described in Section 1.1 of this Deed, "Hypothecated Property" means the properties indicated in Sections 1.2 and 1.3 of this Deed and "Securities" means bills of exchange, notes, shares, warrants, bonds, debentures and other securities considered or acknowledged as securities.

1. HYPOTHEC

In order to guarantee performance of the *Obligations*, the *Grantor* hypothecates in favor of the *Bank* the properties described in Sections 1.2 and 1.3 hereinbelow for the following amounts:

- an amount in capital of ONE MILLION FIVE HUNDRED
DOLLARS (\$ 1,500,000.00 \$) , plus an additional amount equivalent to 15% of such amount, for a total amount
of ONE MILLION SEVEN HUNDRED AND TWENTY-FIVE THOUSAND DOLLARS (1,725,000.00 \$)
- plus interest on such total amount, calculated from the date hereof and compounded annually, at:
 - (i) the rate of _____ percent (_____ %) per annum,
 - or -
 - (ii) the *Bank's* prime interest rate plus TWO AND A HALF percent (2,5 %) per annum.

(The prime interest rate is the annual rate of interest announced by the *Bank* from time to time as the rate of reference in effect for determining the interest rates on Canadian dollar commercial loans in Canada.)

1.1 SECURED OBLIGATIONS

The hypothec granted in this Deed secures performance of the following obligations:

(a) Grantor's Obligations

(1) *Grantor's* present and future obligations toward the *Bank* arising out of a loan constituted of one (1) category of a credit facility, namely (see credit offer, dated November 2, 1998 of the Royal Bank of Canada and signed by Toon Boom Technologies Inc. on November 4, 1998):

Category (B): 1,500,000.00, in the form of a term loan for research and marketing, guaranteed by the «Société Industriel du Québec» («SDI»). The SDI guarantee will correspond, for a duration of 6 years, to 80% of the losses incurred.

contracted on NOVEMBER 4 1998, and all other obligations arising out of any renewal, amendment or replacement of such loan;

(2) *Grantor's* present and future obligations toward the *Bank* arising out of a revolving line of credit up to the amount of

contracted on NOT APPLICABLE 19 ___ and all other obligations arising out of any renewal, amendment or replacement of such revolving line of credit;

(3) *Grantor's* present and future obligations arising out of contracts identified hereinbelow:

(describe in detail each contract/undertaking (e.g. guarantee) creating obligations to be secured, by stating the elements that distinguish it)

NOT APPLICABLE

and all other obligations arising out of any renewal, amendment or replacement of such contracts;

*The above clauses, not
completed, are deemed not written*

(4) the following obligations of the *Grantor* pursuant to the terms of this Deed:

- the reimbursement of the insurance premiums referred to in Section 3.5;
- the reimbursement of the costs referred to in Section 3.6;
- the reimbursement of the costs with respect to the *Securities* referred to in Section 5.3(f);
- the payment of costs of use of the premises and other property referred to in Section 6.3;
- all other present and future obligations of the *Grantor* pursuant to this Deed; and

all other obligations arising out of any renewal, amendment or replacement of such obligations; and

(5) all other present and future obligations of the *Grantor* toward the *Bank*.

(b) **Obligations of a Third Party:** *(do not complete if a guarantee of the Grantor is to be secured; if so, complete 1.1(a)(3) hereinabove)*

all present and future obligations contracted toward the Bank by:
(Name and address of the third party:)

NOT APPLICABLE

pursuant to the terms of the following contracts:

(describe in detail each credit / contract / undertaking of the third party by stating the elements that distinguish it)

NOT APPLICABLE

and all other obligations arising out of any renewal, amendment or replacement of such contracts.

1.2 DESCRIPTION OF THE *HYPOTHECATED PROPERTY*

(a) **Universalities:** The hypothec charges all present and future property included in the universalities described hereinbelow:
(Identify each universality of property to be hypothecated by completing the appropriate paragraph)

N.B.: If space is insufficient, please use additional sheets, have them signed by the Grantor and annex them to the contract.

(do not add anything to (1); strike out and initial if not applicable)

(1) all accounts receivable and all debts, of any nature or origin, whether due or not and whether secured or not, as well as all claims by the *Grantor* pursuant to insurance policies, as well as all amounts derived from payment or collection of such accounts receivable, debts and claims.

(2) tools/equipment/vehicles: NOT APPLICABLE

(3) livestock: NOT APPLICABLE

(4) patents/trademarks/copyrights: A HYPOTHEC OF FIRST RANK (1ST) AND PARI PASSU WITH THE HYPOTHECS OF HOLDERS OF DEBENTURES FOR 3,500,000.00\$ (CDPQ, BDC, «FONDS D'INVESTISSEMENT DE LA CULTURE ET DES COMMUNICATIONS» AND «INNOVATECH DU GRAND MONTRÉAL»), A PROMISSORY NOTE OF AMERICAN HOLDERS IN THE AMOUNT OF 900,000.00\$ USD, AND BEARING NO INTEREST (SEE 1.2(c)), ON THE INTELLECTUAL PROPERTY RIGHTS, PRESENT AND FUTURE, DESCRIBED IN 1.2 (b) (4). A HYPOTHEC OF FIRST RANK (1ST) ON ALL OTHER INTANGIBLE ASSETS RELATING TO THE SOFTWARE *US ANIMATION*, AND OF WHICH THE GRANTOR IS THE OWNER, WHICH HE ACQUIRED OR WILL ACQUIRE, IN THE FORM OF A LICENCE OR AN ASSIGNMENT, INCLUDING THE COPYRIGHTS, TRADEMARKS, REGISTERED OR NOT, NAMELY THE TRADEMARK *US ANIMATION*, PATENTS (INCLUDING THE PENDING PATENT: «DRAWING PIXMAP TO VECTOR CONVERSION»), SOURCE CODES, TRADE SECRETS, AS WELL AS THE ROYALTIES ENSUING FROM THE EXPLOITATION OF ITS INTELLECTUAL PROPERTY RIGHTS.

(5) *Securities*: NOT APPLICABLE

(6) other universalities of movable property: A HYPOTHEC OF FIRST RANK (1ST) ON ALL OTHER TANGIBLE PROPERTY, PRESENT AND FUTURE, THAT THE GRANTOR POSSESSES OR WILL POSSESS. THE TANGIBLE PROPERTY IS THAT RELATED TO THE SOFTWARE *US ANIMATION* OR TO OTHER PROTECTED WORKS AND/OR INTANGIBLE PROPERTY OF WHICH THE GRANTOR IS THE OWNER OF THE INTELLECTUAL PROPERTY RIGHTS.

(b) *Individual Property*: The hypothec charges all individual property described hereinbelow:
(Describe each property in detail by stating the elements that distinguish it from other property of the same type)

N.B.: If space is insufficient, please use additional sheets, have them signed by the Grantor and annex them to the contract.

(1) the following claim / accounts receivable / contracts / bank deposits: NOT APPLICABLE

(2) the following tools and equipment parts: NOT APPLICABLE

<i>Serial Number</i>	<i>Model</i>	<i>Description</i>

(3) the following motor vehicles: NOT APPLICABLE

<i>Category</i>	<i>Serial Number</i>	<i>Year</i>	<i>Description</i>

(4) the following intellectual property rights: ALL RIGHTS, PRESENT AND FUTURE, OF THE GRANTOR ON THE SOFTWARE *US ANIMATION*, INCLUDING THE TRADEMARKS, REGISTERED OR NOT, NAMELY THE TRADEMARK *US ANIMATION*, PATENTS, SOURCE CODES, TECHNICAL INFORMATION, SPECIFICATION SCHEDULES, INSTRUCTION MANUALS AND ALL INTELLECTUAL PROPERTY RIGHTS RELATING TO THE SAID SOFTWARE, AS WELL AS ENSUING ROYALTIES.

(5) the following *Securities* held by the *Bank* or a third party: NOT APPLICABLE

<i>Number of shares or value of bonds, instruments or notes</i>	<i>Description of the Securities and names of debtors appearing on the instruments or notes</i>

(6) other movable property, namely: NOT APPLICABLE

(c) *Prior Claims*: (Note to the Grantor: see representation in 3.1(c) hereinbelow)

(Describe in detail prior claims and hypothecs on the Hypothecated Property and the rights ranking prior to or making precarious the hypothecs granted hereby including any security registered in any jurisdiction other than Québec; indicate the affected property, the creditor's name, the amount in question, and, if applicable, the registration number in the register of personal and movable real rights.)

THE LIST OF HYPOTHECS REGISTERED AT THE «REGISTRE DES DROITS PERSONNELS ET RÉELS MOBILIERS» IN THE NAME OF TOON BOOM TECHNOLOGIES U.S.A. INC. IS ANNEXED TO THESE PRESENTS AND FORMS A COMPLETE PART OF SAME.

THE INTELLECTUAL PROPERTY RIGHTS RELATING TO THE SOFTWARE *US ANIMATION* FORM THE SUBJECT OF AN AGREEMENT SIGNED ON OCTOBER 9, 1998 BETWEEN THE ROYAL BANK OF CANADA, CAPITAL COMMUNICATION CPDQ INC., THE «SOCIÉTÉ INNOVATECH DU GRAND MONTRÉAL», THE «FONDS D'INVESTISSEMENT DE LA CULTURE ET DES COMMUNICATIONS», THE BUSINESS DEVELOPMENT BANK OF CANADA AND MONTREAL TRUST, THE LATTER REPRESENTING THE AMERICAN HOLDERS. THE SAID

(d) **Grantor's Instructions with respect to *Securities* (Universalities or Specific *Securities*)**

- credit income to *Grantor's* account number NOT APPLICABLE
(Note: see 5.3(c) hereinbelow)
- method of payment of fees: (check applicable paragraph)
(Note: see 5.3(f) hereinbelow)

- debit the amount in question from account number _____ at the time chosen by the *Bank*
- invoice the *Grantor* at the time chosen by the *Bank*
- deduct the amounts in question from the income derived from the *Securities* or other amounts received or collected with respect thereto by the *Bank*

- communications with holders/shareholders: (check applicable paragraph)
(Note: see 5.3(d) hereinbelow)

- no communication with holders/shareholders
- annual reports, requests for proxies and any dissident shareholder communications
- all information of whatever kind directed to holders/shareholders.

1.3 SCOPE OF HYPOTHEC

The hypothec granted by this Deed also charges the following present and future property, to the extent it is not already included in the description in Section 1.2 hereinabove, but without limiting the charges arising by the mere operation of law:

- (a) the product of any sale, rental or other disposition of the property indicated in Section 1.2 hereinabove, as well as any claim resulting from such operations;
- (b) any right pertaining to the property indicated in Section 1.2 as well as the fruits and revenues it might produce, including all insurance or expropriation indemnities payable with respect to such property;
- (c) all titles, documents, registers, invoices and accounts evidencing the property indicated in Section 1.2 or with respect thereto, on whatever medium and no matter how they may be accessible, whether in writing, graphically, in sound, visually, computerized or otherwise;
- (d) in the case of a universality of claims, those resulting from insurance contracts on the *Grantor's* other property;
- (e) in the case of *Securities*, without limiting the generality of Subsection (b) hereinabove, the renewals of, substitutions therefor and additions thereto and the *Securities* and other property received or issued at the time of any transformation of the hypothecated *Securities*;
- (f) the property (including money) that replaces that which is already charged by the hypothec constituted by this Deed, to the extent the former is not otherwise hypothecated pursuant to this Deed or by operation of law.

2. POSSESSION OF THE PROPERTY

Save for the *Hypothecated Property* held by the *Bank* or a third party accepted by the *Bank* and the *Grantor*, the hypothec granted by this Deed is a hypothec without delivery, the *Grantor* keeping the *Hypothecated Property* in its possession subject to the obligations contracted pursuant to Sections 3 and 4 of this Deed.

3. REPRESENTATIONS, WARRANTIES AND OBLIGATIONS OF THE GRANTOR

3.1 TITLE TO THE PROPERTY

The *Grantor* makes the following representations and warrants:

- (a) it is the sole owner of the *Hypothecated Property*;
- (b) it is in possession of the *Hypothecated Property* which belongs to it and, if applicable, of any negotiable title documents pertaining thereto;
- (c) that, save for what is disclosed in Section 1.2(c) hereinabove, the *Hypothecated Property* is not charged with any prior claim or hypothec, nor any other right whatsoever, whether published or not, that might void the rights intended to be granted by this Deed or rank prior to such rights, in particular by reason of default in payment of a rental or a fiscal obligation, an installment sale or a sale with buy-back option, or a right of retention, or by reason of failure to comply with a statute or regulation with respect to the protection of the environment;
- (d) if the hypothec granted by this Deed is on a universality of property, such property is part of one or several enterprises that it operates;

- (e) if the *Grantor* is a natural person, the *Hypothecated Property* of which it keeps possession is part of one or several enterprises that it operates;
- (f) if the hypothec granted by this Deed is on *Securities*, that the transfer of such *Securities* is not subject to any restriction;
- (g) the *Hypothecated Property* is not incorporated into, attached to or joined with an immovable.

3.2 ALIENATION

Unless the *Bank* gives its prior written consent, the *Grantor* agrees:

- (a) neither to alienate nor to rent any individual property described in Section 1.2(b) hereinabove; and
- (b) neither to alienate nor to rent, outside the course of business of its enterprise, any property included in a universality described in Section 1.2(a) hereinabove.

In the event of such alienation or rental, even without the *Bank's* authorization, the *Grantor* (without, however, being excused from the default resulting therefrom) shall immediately inform the *Bank* of the details of such alienation or rental and shall in particular provide the *Bank* with a description of the alienated or rented property, any property acquired in replacement, the name and address of the acquirer or the tenant, as well as details concerning the proceeds of such alienation or rental.

3.3 TRANSFORMATION

The *Grantor* may not, without the *Bank's* prior written consent, transform the property either by incorporating in into an immovable, or joining or mixing an individual property described in Section 1.2(b) hereinabove with other movable property in order to create new property.

In the event of any such transformation, even if it occurs without the *Bank's* authorization, the *Grantor* (without, however, being excused from the default resulting therefrom) shall immediately inform the *Bank* in detail and in particular shall provide it with a description of the property involved in such transformation, the name and address of the owner of the property that may result from such transformation and the address of the location of the property.

3.4 PRESERVATION

The *Grantor* shall keep the *Hypothecated Property* well maintained, considering its nature and destination, and should the *Grantor* neglect to do so, the *Bank* may incur the necessary expenses for this purpose, without being obliged to do so. The *Grantor* shall allow the *Bank* to inspect the *Hypothecated Property* at any time and shall grant the *Bank* the access required for such inspection. The *Grantor* shall keep books and accounting records in accordance with diligent accounting practice with respect to the *Hypothecated Property* and it shall allow the *Bank* to examine them and make copies thereof. Except in an emergency, the *Bank* shall not unduly interfere with the *Grantor's* activities in carrying out such inspection and examination.

Furthermore, the *Grantor* undertakes to do all that is necessary so that the *Hypothecated Property* is not charged with a prior claim or another hypothec, legal or conventional, nor with any other real right whatsoever, without the *Bank's* prior consent. Should it be so charged without such consent, the *Grantor* (without, however, being excused from the default resulting therefrom) shall immediately inform the *Bank* and shall obtain the radiation of the rights in question upon the *Bank's* request and within the time it shall stipulate.

3.5 INSURANCE

The *Grantor* shall adequately insure the *Hypothecated Property*, to its full replacement value, without depreciation, against damage caused by fire and any other risk or peril:

- that is customarily covered in the *Grantor's* industry, or
- if it is not part of an enterprise, that a prudent and reasonable person would cover or,
- that the *Bank* may specify, acting reasonably.

The policy shall not include a reserve by the insurer of the right to repair or rebuild the insured property, shall specify that the insurer renounces to the possibility of the payment of a proportional indemnity in the case where the amount of insurance is less than the value of the insured property, shall be subscribed with a reputable insurer and shall include provisions dictated by usage in the *Grantor's* industry or which a reasonable and prudent person would require, if the property does not form part of an enterprise. The policy shall name the *Bank* as beneficiary and shall contain an hypothecary clause as approved by the Insurance Bureau of Canada and satisfactory to the *Bank* or equivalent clauses satisfactory to the *Bank* under the terms of which deceitful representations, bad faith or wrongful acts by the owner or a third party cannot be invoked against the *Bank*.

The *Bank* may apply any indemnity to the payment of the *Obligations* or it may remit them to the *Grantor*, in whole or in part, to be used for the repair or replacement of the destroyed or damaged property and the *Grantor* shall execute any deed that the *Bank* might require in order to confirm the hypothec on the replacement property.

The insurance shall be maintained in force until full extinction of the *Obligations* and the *Bank* shall be provided with copies of the policy, its renewals or replacements, unless the *Bank* expressly renounces thereto.

The *Grantor* shall notify the *Bank* as soon as possible should any loss occur affecting the *Hypothecated Property*.

In the event that the *Grantor* fails to fulfil such insurance obligation, the *Bank* may, though is not obliged to, and without prejudice to other recourses it may have under this Deed or in law, subscribe for such insurance for the *Hypothecated Property* as it may deem adequate and the *Grantor* shall reimburse the *Bank* for the cost of such insurance, with interest at an annual rate of 15% from the date of any payment made by the *Bank*.

3.6 FEES

The *Grantor* shall reimburse the *Bank*, upon request, for any evaluation and inspection fees as well as for amounts it shall have disbursed for registrations necessary for the publication of the rights constituted by this Deed or for the exercise of such rights, and the renewal of such registrations, where and if required or permitted by law. The *Grantor* shall pay the fees for the radiation of such registrations.

The *Grantor* binds itself to reimburse the *Bank* for all expenses incurred in order to recover from the *Grantor* the amounts due on account of the *Obligations* and, if necessary, for the preservation of the *Hypothecated Property*, with interest calculated at annual rate of 15% from the date of any payment made by the *Bank*.

3.7 REGISTRATION

The *Grantor* shall cooperate with the *Bank*, should the *Bank* deem it necessary or useful, in order to make the registrations required for publication of the constitution, renewal, or conservation of its hypothec, as well as the exercise of its hypothecary rights, as the case may be.

Should the hypothec granted by this Deed charge a claim that is itself secured by a registered hypothec charging movable or immovable property, the *Grantor* shall notify the *Bank* thereof in writing and provide it with all information it may request with respect thereto.

If, at any time, the *Hypothecated Property* or any part thereof is not destined to remain in Québec, the *Grantor* must immediately inform the *Bank* of this fact and provide it with all information it requests with respect thereto. Upon request by the *Bank*, the *Grantor* must sign any security or additional document required in order to allow the *Bank* to preserve the security constituted by this Deed on such property or to grant the *Bank* security in the jurisdiction(s) where the property shall be located equivalent to that in virtue of the hypothec constituted by this Deed, the whole at the *Grantor's* expense.

4. PROVISIONS APPLICABLE TO THE HYPOTHEC ON CLAIMS

The following provisions apply if one or several claims due to the *Grantor* are hypothecated in favour of the *Bank*.

4.1 COLLECTION

The *Grantor* shall have the authority to collect, when due and not in advance, payments of interest and reimbursement of capital made on the claims that form part of any universality of claims hypothecated in favour of the *Bank* pursuant to this Deed; such authorization shall not apply to the claims consisting of *Securities* pledged to the *Bank* nor to those consisting of deposits at the *Bank* or one of its subsidiaries. The *Bank* may withdraw such authorization by written notice at any time, whether or not the *Obligations* are due, and take all necessary measures to render the hypothec opposable to the debtors of the hypothecated claims. In such case, the *Grantor* obliges itself to remit to the *Bank*, upon request, all titles, documents, registers, invoices and accounts evidencing the claims or related thereto, on whatever medium and no matter how they may be accessible, whether in writing, graphically, in sound, visually, computerized or otherwise.

Any payment received by the *Grantor* on account of any hypothecated claim otherwise than pursuant to the preceding authorization, shall be received for the *Bank's* account, shall give the *Grantor* no right to the amounts received and shall be, at all times, kept separate from the *Grantor's* other property and shall be immediately remitted by the *Grantor* to the *Bank* without compensation.

Notwithstanding the provisions of Section 3.2(b) hereinabove, the *Grantor* shall never be authorized to dispose of any claim that forms part of a universality of claims hypothecated in favour of the *Bank*, without the latter's prior written consent.

4.2 RIGHTS OF THE BANK

The *Bank* shall not be obliged to exercise its rights to the hypothecated claims nor to ensure their recovery from the debtors, whether by legal proceedings or otherwise. Should the *Bank* decide to collect the hypothecated claims, it shall be at liberty to negotiate whatever arrangements it deems appropriate with the debtors or third parties, to enter into agreements with them with respect to the claims and any security guaranteeing them and even to renounce to the claims and such security, the whole without the *Grantor's* consent or intervention, without thereby being liable nor accountable to the *Grantor*. Unless the *Grantor* so requests in writing, the *Bank* shall not be obliged to inform the *Grantor* of any irregularity whatsoever with respect to the payment of amounts due on the claims. Apart from its obligation to remit to the *Grantor* the amounts collected that exceed the amount of the *Obligations* in capital, interest and fees, the *Bank* shall not be accountable to the *Grantor* on the collections that were made nor on transactions and arrangements made.

4.3 DEPOSITS WITH THE BANK

With respect to claims consisting of deposits made with the *Bank*, (i) the *Grantor* shall have no right to demand their reimbursement while they continue to secure the *Obligations*, (ii) the *Bank* may use the amounts in question for its own purposes, only being obliged to remit to the *Grantor* the same amounts in the same currency upon the extinction of the hypothec and (iii) the *Bank* may, at any time and without prior notice to the *Grantor*, accelerate the term of any deposit bringing it immediately to maturity and make all appropriate accounting entries in order to evidence the use of any deposit in reducing or extinguishing the *Obligations*, by way of compensation.

4.4 DEPOSIT WITH ROYAL BANK MORTGAGE CORPORATION

With respect to claims consisting of deposits made with Royal Bank Mortgage Corporation, if any, the *Bank*, in its capacity as agent and in the name of Royal Bank Mortgage Corporation, hereby acquiesces in the hypothec created on such deposits by this Deed.

4.5 INFORMATION

The *Bank* may always verify the existence and state of the claims, at its discretion. The *Grantor* shall provide the necessary assistance and information for this purpose and shall take such measures as the *Bank* may reasonably request in this respect: in particular, it shall allow the *Bank* and its agents to enter the premises occupied by the *Grantor* and to consult its accounting books and registers as well as any document relating to the claims, and to make copies thereof.

The *Grantor* specifically authorizes the *Bank* to communicate with any third party in order to obtain or transmit any personal information and any information relative to the claims and to the *Grantor* for the purpose of verifying and collecting the claims.

5. PROVISIONS CONCERNING THE HYPOTHEC ON SECURITIES

The following provisions apply in the event that one or several of the *Grantor's Securities* are hypothecated in favour of the *Bank*.

5.1 INTERPRETATION

Unless the context requires otherwise, the term "*Securities*" includes the renewals, substitutions and additions to which the *Securities* are subject as well as the *Securities* and other property received or issued pursuant to any transformation of such *Securities*, as well as all income derived and any right resulting therefrom.

No provision of this Section 5 limits the rights and remedies of the *Bank* under Section 4 hereinabove with respect to any claim which may also constitute a *Security*.

5.2 SECURITIES HYPOTHECATED WITH DELIVERY

The following provisions apply to the *Securities* hypothecated pursuant to this Deed and held by the *Bank* or by a mutually agreed upon third party holding them on behalf of the *Bank*.

(a) Remittance

The *Grantor* binds itself to remit to the *Bank* or to a third party mutually agreed upon, concurrently with the execution of this Deed by the *Grantor*, all *Securities* described in Section 1.2(b)(5) as individual *Hypothecated Property*, duly endorsed in blank for the purpose of transfer, together with any power of attorney, document and confirmation that the *Bank* may reasonably require for such purpose.

Furthermore, the *Grantor* binds itself to remit to the *Bank* or to such third party, as soon as the *Grantor* becomes entitled thereto, the renewals, substitutions and additions to which they are subject, and the *Securities* and other property received or issued at the time of the purchase, redemption, conversion, cancellation or other transformation of the *Securities*, including any income derived therefrom and any right resulting therefrom. If applicable, they shall be duly endorsed in blank for the purpose of transfer and accompanied by any power of attorney, document and confirmation that the *Bank* may reasonably require for such purpose.

The *Bank* or, if applicable, the third party appointed by the *Bank* or any agent or correspondent representing them, shall hold the *Securities* with the same care as if they were its own and as if it held them in the very place they are located.

(b) Deposit and the Book-Based System

The *Bank* shall hold the *Securities* pledged and shall ensure their custody either in its branches or other offices, or with an agent or correspondent appointed by the *Bank* and approved by the *Grantor*. It may also deposit, unless they already have been, the *Securities* admissible for this purpose with The Canadian Depository for Securities Limited, with The Depository Trust Company, or with any clearing company or other depository agency, or their agent; this, pursuant to arrangements with a depository providing for the transfer of the *Securities* by means of book entries, without transfer of any other proof of ownership (by virtue of the book-based system), in which case such depository or its agent shall always act as the *Bank's* agent and shall follow instructions given by the *Bank* or by the *Bank's* agent exclusively.

In the book-based system, proof of ownership of the *Securities* pledged to the *Bank* by the *Grantor* may be destroyed; it may also be replaced by a single proof of ownership indicating the depository's or its agent's overall position on each *Security*. The only proof of ownership of the *Securities* deposited with the depository shall then be the accounts referred to in Subsection (c) hereinbelow. The *Bank* may rely upon any instruction or information received from the depository with respect to the *Securities*. Subject to the *Grantor's* obligations with respect to the statement of account which the *Bank* provides to it, as set out in Subsection (d) hereinbelow, the *Bank* accepts the same responsibility with respect to the *Securities* entrusted to a depository as if certificates representing such *Securities* were deposited with the *Bank*.

(c) Evidence of Ownership

The *Bank* shall maintain accounts and keep records of the *Securities* presently or subsequently deposited with the *Bank*, or entrusted to a depository, pursuant to this agreement. In the absence of manifest error, such accounts shall constitute conclusive evidence of ownership of the *Securities* held by the *Bank* or entrusted to a depository.

(d) Statement of Securities

In the event the *Bank* provides statements containing a list of the *Securities*:

- (1) the *Grantor* obliges itself to verify the accuracy of each statement;

- (2) in the event the *Grantor* has not received a statement 10 days after the end of the period agreed upon for its preparation, it is the responsibility of the *Grantor* to request such a statement from the *Bank*;
- (3) within 30 days of the date on which the statement should have been received, the *Grantor* agrees to notify the *Bank* in writing, at the branch or office where the account for the *Securities* is kept, of any omission, addition or other inaccuracy the statement may contain;
- (4) the *Grantor* agrees that, after the expiry of such 30-day period, the statement shall constitute conclusive evidence, without any other evidence, that, with the exception of any error brought to the attention of the *Bank*, the account contains all *Securities* which it should contain and no others, and that all entries that appear in it are accurate; as and from that time, the *Bank* shall not be liable for any claim relative to the account.

(e) Exchange or Replacement of *Securities*

Without prejudice to its rights pursuant to this Deed, the *Bank* may, at any time:

- (1) return the *Securities* it holds or which are being held by a third party on its behalf, upon receipt of the amounts payable at the end of the applicable term or upon redemption if a notice of redemption is issued prior to the end of the term, it being understood that when a notice of redemption is given prior to the end of a term, the *Bank* shall not be bound to present the *Securities* for redemption unless the *Grantor* makes a written request to the *Bank*, following the notice;
- (2) return the *Securities* it holds or which are being held by a third party on its behalf, upon receipt of the *Securities* or other property issued at the time of any transformation of the hypothecated *Securities*; and
- (3) exchange provisional or interim *Securities* for definitive *Securities*.

(f) Request for Delivery

The *Bank* may, at any time, demand that the *Grantor* remit to the *Bank* all or any part of the *Securities* hypothecated by this Deed, even if such *Securities* are not described in Section 1.2(b)(5) hereinabove. In such case, the *Grantor* must immediately remit the *Securities* in question to the *Bank*, and the preceding provisions of this Section 5.2 shall apply thereto.

5.3 PROVISIONS APPLICABLE TO ALL HYPOTHECATED *SECURITIES*

The following provisions shall apply to all *Securities* hypothecated pursuant to this Deed:

NOT APPLICABLE

(a) Standard of Care

The *Bank* shall not be:

- (1) obliged to protest a *Security*, nor to take measures or institute proceedings in order to interrupt prescription, nor to protect the *Securities* against depreciation or devaluation, nor to make them productive;
- (2) obliged to protect the *Grantor* against loss relating to one of the *Securities*; or
- (3) obliged to vote with respect to a *Security* or a subscription, a conversion or another right that relates to it, or a merger, consolidation, reorganization, order of sequestration, a bankruptcy, insolvency proceedings, a compromise or an arrangement, or a deposit of a *Security* or otherwise, and shall not be obliged to participate in such matters nor to take appropriate measures, except if the *Grantor* had given it instructions in writing to do so and with the payment of such indemnity or remuneration as the *Bank* may require.

(b) Powers of the *Bank*

Without prejudice to its rights pursuant to this Deed, the *Bank* may, at any time:

- (1) request payment of the *Securities* and receive all interest, dividends, remittances or other payments pertaining to the *Securities*;
- (2) when money must be paid with respect to the *Securities* in more than one currency, to collect it in the currency that the *Bank* may decide upon at its discretion;
- (3) complete and return on behalf of the *Grantor* all certificates of ownership with respect to the *Securities* that may be required by law;
- (4) at its discretion, comply with or cause the depository to comply with the provisions of any statute, regulation or court order or order by an administrative body or a body vested with regulatory power, in force presently or in the future, which imposes on the holder of a *Security* an obligation to take or to abstain from taking measures with respect to a *Security* or to payments, remittances or amounts payable with respect to any one of the *Securities*; and
- (5) have the *Securities* registered in the *Bank's* name or that of its agents so as to permit the registration of the *Bank* or its agents as sole owners of such *Securities*, without prejudice to the *Grantor's* right to receive all communications to holders as provided in Section 5.3(d) hereinbelow and its right (prior to default under the terms of this Deed) to receive from time to time one or several proxies allowing it to exercise the voting rights attached to such *Securities*.

(c) Income from the *Securities*

Instead of exercising its right to hold them subject to the hypothec granted by this Deed, the *Bank* may, at its discretion, credit to the *Grantor's* account identified in Section 1.2(d) hereinabove the interest, dividends and other income derived from the *Securities*.

(d) Communications to Holders

The *Bank* may send to the *Grantor* by regular mail, to the most recent address of which the *Bank* has notice, all communications to holders listed in Section 1.2(d) hereinabove. The *Grantor* shall reimburse the *Bank* for any expenses incurred for such transmissions.

(e) **Power to Compromise**

With respect to the *Securities*, the *Bank* may grant extensions, take or give security, accept compromises, negotiate arrangements, grant discharges, and generally deal with the *Grantor* and third parties in any manner it deems appropriate without diminishing its rights pursuant to this Deed nor changing the *Grantor's* responsibilities.

(f) **Fees**

The *Grantor* undertakes to pay the *Bank*, at the rate then in effect at the *Bank*, the fees for administering the *Securities* and the associated transactions, as well as all other costs paid or incurred with respect thereto by the *Bank* or by its agents, correspondents or mandataries. It authorizes the *Bank* to reimburse itself for such fees and costs in the manner set forth in Section 1.2(d) hereinabove.

6. DEFAULT

6.1 EVENTS OF DEFAULT

The *Grantor* shall be in default upon the occurrence of any of the following events:

- (a) failure by the *Grantor* to pay when due or to comply with any of the *Obligations*;
- (b) failure by any third party to pay when due or to comply with any of the *Obligations* toward the *Bank* pursuant to the terms of any contract referred to in paragraph 1.1(b) of this Deed;
- (c) failure by the *Grantor* to comply with the obligations imposed on it by law with respect to the *Hypothecated Property*;
- (d) failure by the *Grantor* to pay any amount due or to comply with any of its obligations with respect to any other deed granting rights on one or several of the *Hypothecated Properties* or pertaining to them;
- (e) in the event the *Grantor* operates an enterprise, should the *Grantor* cease to operate it or substantially change its nature;
- (f) should the *Grantor* or any third party identified in Section 1.1(b) hereinabove become or acknowledge being insolvent, become bankrupt, or generally take measures to arrive at a compromise, an arrangement or an agreement with its creditors or to arrive at the liquidation of its assets or its bankruptcy;
- (g) should proceedings be instituted against the *Grantor* or any such third party in order to liquidate its assets or declare it bankrupt, which are not diligently contested by the *Grantor* or the third party and are not dismissed or cancelled within 21 days from the day on which they are instituted;
- (h) should a prior notice be given by a creditor holding a prior claim or by a hypothecary creditor of its intention to exercise its prior claim or hypothecary right or any other security, or should such right or security be exercised or should a secured creditor take possession of or appoint a receiver with respect to any part of the *Hypothecated Property*;
- (i) should a seizure be brought against any *Hypothecated Property* and should it not be quashed within 10 days thereafter;
- (j) should the value of *Securities* hypothecated pursuant to this Deed decrease to a level which the *Bank* deems critical considering the security they represent, or which would justify, in the opinion of the *Bank*, an immediate liquidation;
- (k) should any representations, warranties or affirmations made by the *Grantor* in or in relation to this Deed or any other document relating to the *Obligations* be inaccurate;
- (l) should a person (including the State) other than the *Grantor* demand or claim from the *Bank* payment in full or in part of amounts that the *Bank* may remit to the *Grantor* pursuant to any document with respect to the *Obligations*.

6.2 EFFECTS

Without limiting its right, at any time and at its discretion, to demand payment of amounts payable on demand and without prejudice to all rights and recourses to which it is entitled pursuant to agreements with the *Grantor* or pursuant to law (in particular with respect to hypothecated claims);

- (a) the *Bank* may, upon the occurrence of any events enumerated in Subsections (a) to (k) of Section 6.1 hereinabove, cease to advance funds or to maintain credit available to the *Grantor* pursuant to the documents relative to the *Obligations* and demand immediate and full payment of the amounts owing on account of the *Obligations*, which shall then become due and payable, and exercise, at its discretion, without restriction, and without any other prior notice than that provided for by law, all rights and recourses to which it is entitled by law including, in particular, those of the following hypothecary rights which are then available:
 - taking of possession for the purpose of administration;
 - taking in payment;
 - sale by the *Bank*;
 - sale by judicial authority;
- (b) the occurrence of the event mentioned in Subsection (l) of Section 6.1 hereinabove, automatically terminates any obligation by the *Bank* to advance funds to the *Grantor* or to make credit available to it pursuant to the documents relative to the *Obligations*, without the need for a notice or request, to which the *Grantor*, expressly renounces, and authorizes the *Bank* to the exercise any rights referred to in Subsection (a) of this Section 6.2.

6.3 RIGHTS OF THE BANK

With respect to the exercise of the *Bank's* hypothecary rights, the *Grantor* undertakes to voluntarily surrender to the *Bank* the *Hypothecated Property* the *Bank* indicates, and to sign any document or do anything necessary for this purpose. As of the present time, the *Grantor* hereby irrevocably authorizes and mandates the *Bank* to sign the documents, take the actions, give the consents and make the decisions, in its name and on its behalf, for the purpose of preserving or exercising the *Bank's* hypothecary rights or for the preliminary measures to such exercise, the whole as if the *Grantor* was signing such documents, taking such actions, giving such consents or making such decisions, the *Bank* acting entirely in its discretion.

Furthermore, the *Bank* may, though is not obliged to, use the premises where the *Hypothecated Property* is located and other property of the *Grantor*, at the latter's expense, as it deems it necessary.

6.4 RENUNCIATION TO THE BENEFITS OF DISCUSSION AND DIVISION

Upon the occurrence of a default by a third party, if applicable, as mentioned in Subsection (b) of Section 6.1 hereinabove, the *Bank* shall immediately have the right to enforce its recourses against the *Grantor*, the latter renouncing to the benefits of discussion and division in this respect.

7. MISCELLANEOUS

7.1 NATURE OF THE OBLIGATIONS

Each of the *Obligations* of the *Grantor* is indivisible. Moreover, in the event any provision of this Deed or of the contracts referred to in Section 1.1 hereinabove shall be declared null, without effect or deemed not written, all other provisions of this Deed or of such contracts shall remain valid and in force as being severable from such provisions.

7.2 APPLICATION OF PAYMENTS

Any insurance indemnity, as well as any other amount or other property received by the *Bank* in the exercise of the rights granted to it by this Deed or by law or in any other manner with respect to any *Hypothecated Property*, may be retained by the *Bank* as *Hypothecated Property*, or be applied to the payment of the *Obligations*, whether or not they are due, or to other debts of the *Grantor*, whether or not they are secured. Any amount collected by the *Bank* shall be applied at the *Bank's* discretion, even on account of voluntary performance of the *Obligations*, and the *Bank* may, as it may deem preferable, modify the application of the payments, from time to time, in whole or in part.

In the event the *Hypothecated Property* or its proceeds are in a currency different from that of the *Obligations*, the *Bank* is hereby authorized to convert the amount or the claim in question to the currency of the *Obligations* at the *Bank's* rate of exchange for the currencies concerned on the date the payment is applied or on such other date as the *Bank* deems appropriate.

7.3 RIGHTS CUMULATIVE AND EXERCISE OF RECOURSES

The rights granted pursuant to this Deed are cumulative with, and not alternative to, any other right or security held by the *Bank*. The exercise by the *Bank* of one of its rights does not prevent it from exercising any other right granted to it pursuant to this Deed, another security or the law.

The *Bank* may, separately or successively, exercise the rights granted to it by this Deed with respect to any part of the *Hypothecated Property*, without being obliged to do so on the entire *Hypothecated Property*, without prejudice to its recourses with respect to the remaining *Hypothecated Property*, and it shall not be in any way obliged to exercise its rights against any other person liable for the *Obligations* nor to exercise any other security securing the *Obligations*.

The *Bank* may delegate the exercise of its rights or the performance of its *Obligations* resulting from this Deed to another person; in such case, the *Bank* may provide such other person with any information it may have in its possession on the *Grantor* or the *Hypothecated Property*.

7.4 JOINT AND SEVERAL LIABILITY

If there is more than one *Grantor*, each shall be jointly and severally liable for the *Obligations* set out in this Deed and arising out of it. However, each joint and several debtor renounces to the right to be subrogated in the rights of the *Bank* and authorizes the *Bank* to grant releases and waivers to other joint and several debtors or with respect to the hypothec arising out of this Deed, without thereby releasing such joint and several debtor from its obligations under this Deed.

7.5 NOTICE OF DEFAULT

The *Grantor* shall be in default of performing the *Obligations* by the mere passage of time, without the requirement of notice or of notice of default.

7.6 WAIVER

The *Grantor* may not claim that an act or omission by the *Bank* constitutes or implies a waiver of its right to invoke a default by the *Grantor* or to assert a right arising out of such default, unless the *Bank* has expressly so stated after the occurrence of the default.

7.7 APPOINTMENT OF AGENTS

The *Grantor* appoints by this Deed as its irrevocable agent, with full powers of substitution, each of the *Bank*, the manager, the acting manager, the account manager or the assistant manager in office at any branch or office of the *Bank* where the *Grantor* has an account, or where a copy of this Deed or any part of the *Hypothecated Property* is being kept, to give effect to all provisions of this Deed or the documents or other measures to which the *Grantor* has agreed or which might be required to give effect to this Deed or in the exercise of powers that this Deed confers on the *Bank*, in particular, to endorse or transfer, in whole or in part, the *Securities* in favour of the *Bank* or its agents, correspondents or mandataries, including any depository, so that the *Bank*, its agents, correspondents or mandataries may be registered as owners of the *Securities*, and in order to obtain from any taxation authority at any time, if deemed useful, any information necessary to allow the *Bank* to determine the amount of taxes owing and due to such taxation authority. The *Grantor* also grants each of these agents the right to use its name each time it may deem necessary or appropriate to do so for the purposes hereof.

7.8 ELECTION OF DOMICILE

Any service, notice or notice of default shall be made to the *Grantor* at its domicile. However, if the *Bank* is not successful in locating the *Grantor* at such address, such service, notice or notice of default may be done or made at the office of the Clerk of the Superior Court for the district in which the greater part of the *Hypothecated Property* is located and in which the *Grantor* elects domicile for the purposes hereof.

7.9 INTERPRETATION

Whenever the context so requires, the gender and number shall be interchangeable.

7.10 APPLICABLE LAW

This contract shall be governed and construed in accordance with the law in force in the Province of Québec.

7.11 DATE OF CONTRACT

This contract is deemed to have been executed on the date inscribed above the *Grantor's* signature, even if the *Bank's* signature was not affixed concurrently.

7.12 LANGUAGE

The parties hereto have expressly requested that this contract and all documents relating thereto be drawn up in the English language. Les parties aux présentes ont expressément demandé que ce contrat et tous les documents qui s'y rapportent soient rédigés en langue anglaise.

SIGNATURES

Signed in _____
(city) (province)

on _____
(day) (month) (year)

creditor

ROYAL BANK OF CANADA

Centre d'affaires
360 St. Jacques Street
Montreal, Quebec
H2Y 1P6

grantor:

TOON BOOM TECHNOLOGIES USA INC.

per

7 Laurier Street East
Montreal, Quebec
H2T 1E 4

*address (principal place of business or
main residence)*

(signed) Mr. Jacques Bilodeau, president

TOON BOOM TECHNOLOGIES U.S.A. INC.**ANNEX**

In conformity with article 2.1 c) of the Deed of hypothec to which this document is annexed, the prior claims, hypothecs, securities and other rights registered in the name of TOON BOOM TECHNOLOGIES U.S.A. INC. (index of the RDPRM as of November 11, 1998) and which dates are prior to the present hypothec, are:

<u>Registration number</u>	<u>Date</u>	<u>Holder</u>	<u>Property</u>	<u>Amount</u>
98-0142987-0001	1998-10-22	Montreal Trust	Universality of corporeal and incorporeal movable property, present and future (namely the intellectual property rights on the software USAnimation)	
98-0141296-0008	1998-10-20	CDPQ	Universality of corporeal and incorporeal movable property, present and future (namely the intellectual property rights on the software USAnimation)	1,500,000.00\$
98-0141296-0005	1998-10-20	BDC	Universality of corporeal and incorporeal movable property, present and future (namely the intellectual property rights on the software USAnimation)	1,000,000.00\$
98-0141296-0007	1998-10-20	Innovatech	Universality of corporeal and incorporeal movable property, present and future (namely the intellectual property rights on the software USAnimation)	750,000.00\$
98-0141296-0006	1998-10-20	FICC	Universality of corporeal and incorporeal movable property, present and future (namely the intellectual property rights on	250,000.00\$

INTERCREDITOR AGREEMENT entered into at **Montreal, Quebec**, on the 9th day of October, 1998.

AMONG:

ROYAL BANK OF CANADA, a Canadian chartered bank subsisting under the *Bank Act* (Canada), having a place of business at 360 St. Jacques Street, Montreal, Quebec, H2Y 1P6, herein acting and represented by Helene Gauthier, Account Manager, duly authorized for all purposes hereof as so declared and warranted;

("ROYAL")

AND:

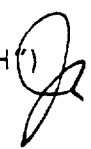
CAPITAL COMMUNICATION CDPQ INC., a corporation duly incorporated under the laws of Quebec, having its head office at 1981 McGill College Avenue, Suite 800, Montreal, Quebec, H3A 3C7, herein acting and represented by _____, duly authorized for all purposes hereof as so declared and warranted;

("CDPQ")

AND:

SOCIÉTÉ INNOVATECH DU GRAND MONTRÉAL, a legal person duly formed under an *Act Respecting the Société Inovatech de Grand Montréal (Québec)*, having its head office at 2020 University, Suite 1527, Montreal, Quebec, H3A 2A5, herein acting and represented by Hubert Manseau, its President and its Chief Executive Officer, duly authorized for all purposes hereof as so declared and warranted;

("INNOVATECH")



AND:

FONDS D'INVESTISSEMENT DE LA CULTURE ET DES COMMUNICATIONS, SOCIÉTÉ EN COMMANDITE, a limited partnership duly constituted under the laws of Quebec, having its head office at 1155 University Street, Suite 1301, Montreal, Quebec, H3B 3A7, herein acting and represented by its general partner, GESTION DU FONDS D'INVESTISSEMENT DE LA CULTURE ET DES COMMUNICATIONS INC., herein acting and represented by Marcel Choquette, its President, duly authorized for all purposes hereof as so declared and warranted;

("FICC")

AND:

BUSINESS DEVELOPMENT BANK OF CANADA, a bank duly formed under an *Act Respecting the Business Development Bank of Canada (Canada)*, having its head office at 5 Place Ville Marie, Suite _____, Montreal, Quebec, H3B 2G2, herein acting and represented by _____, duly authorized for all purposes hereof as so declared and warranted;

("BDC")

(CDPQ, INNOVATECH, FICC and BDC sometimes collectively the "INSTITUTIONAL INVESTORS")

AND:

MONTREAL TRUST COMPANY/COMPAGNIE MONTREAL TRUST, in its capacity as power of attorney, agent and mandatary of the



"HOLDERS" (as hereinafter defined), having its head office at 1800 McGill College Avenue, Montreal, Quebec, H3A 3K9, herein acting and represented by Rosemary Labbé, its Trust Officer, and Guy Lesperance, its Manager - Client Servicing, duly authorized for all purposes hereof as so declared and warranted;

(the "AGENT")

WHEREAS TOON BOOM TECHNOLOGIES INC. (the "COMPANY") is indebted towards ROYAL, the INSTITUTIONAL INVESTORS and to the holders of promissory notes issued on October 9, 1998 (the "NOTES"), which holders along with the principal amounts represented by their respective NOTES are listed in Schedule "A" annexed hereto to form part hereof (the "HOLDERS").

WHEREAS the COMPANY and TOON BOOM TECHNOLOGIES U.S.A. INC. (the "SUBSIDIARY") have granted security over their assets to secure indebtedness and obligations owing towards ROYAL, the INSTITUTIONAL INVESTORS and the HOLDERS.

WHEREAS, the parties hereto are desirous of establishing certain priorities of rank with respect to the security held by each of them over the assets of the COMPANY and the SUBSIDIARY, the whole in accordance with the terms and conditions herein set forth.

NOW, THEREFORE, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

1. PREAMBLE

1.1 The preamble hereto shall form part hereof as if recited at length herein.

2. INTRODUCTORY PROVISIONS

2.1 For the purposes hereof:



2.1.1 "ACCOUNTS RECEIVABLE" means all present and future claims, accounts receivable, rights of action and debts owing by any third party to the COMPANY and/or the SUBSIDIARY, including, without limitation, all present and future tax credits or other amounts owing to the COMPANY and/or the SUBSIDIARY under any income tax or other fiscal legislation as well as all indemnities of insurance relating thereto;

2.1.2 "ASSETS" means all present and future tangible and intangible property, assets and undertakings of any nature whatsoever of the COMPANY and the SUBSIDIARY;

2.1.3 "CLUB SECURITY" means that certain hypothec executed by the COMPANY in favour of CLUB D'INVESTISSEMENT MÉDIA ("CLUB") on June 7, 1995 and registered in the Register of Personal and Movable Real Rights under number 95-0086426-0001;

2.1.4 "EQUIPMENT" means all present and future machinery and equipment owned by the COMPANY, as well as all indemnities of insurance relating thereto;

2.1.5 "HOLDERS OBLIGATIONS" means all present and future indebtedness and obligations of the COMPANY and the SUBSIDIARY towards the HOLDERS for the payment and delivery of all "Merger Consideration" as defined in and under that certain "Restructuring Agreement" dated August 24, 1998, by and among the COMPANY, the SUBSIDIARY, the INSTITUTIONAL INVESTORS and the other parties thereto and under that certain "Guaranty" and that certain "Security Agreement" executed by the SUBSIDIARY in favour of the HOLDERS and the AGENT, including, without limitation, all indebtedness and obligations pursuant to the NOTES plus all applicable interest, costs and accessories thereto;

2.1.6 "HOLDERS SECURITY" means all hypothecs, charges and other security interests presently or in the future held by or on behalf of the HOLDERS over and upon the ASSETS, including, hypothecs, charges and other security interests held by the AGENT, in order to secure the HOLDERS OBLIGATIONS;

2.1.7 "INSTITUTIONAL INVESTORS OBLIGATIONS" means all present and future indebtedness and obligations of the COMPANY and the SUBSIDIARY towards the INSTITUTIONAL INVESTORS pursuant to those certain Convertible Debentures issued by the COMPANY on August 21, 1998 and October 9, 1998 and under those certain Guarantees executed by the SUBSIDIARY in favour of the INSTITUTIONAL INVESTORS plus all applicable interest, costs and accessories thereto;

2.1.8 "INSTITUTIONAL INVESTORS SECURITY" means all hypothecs, charges and other security interests presently or in the future held by or on behalf of the INSTITUTIONAL INVESTORS over and upon the ASSETS in order to secure the INSTITUTIONAL INVESTORS OBLIGATIONS;

2.1.9 "LEASEHOLD IMPROVEMENTS" means the present and future leasehold improvements owned by the COMPANY as well as all indemnities of insurance relating thereto;

2.1.10 "ROYAL OBLIGATIONS" means all present and future indebtedness and obligations of the COMPANY and the SUBSIDIARY towards ROYAL plus all applicable interest, costs and accessories thereto resulting from loans, advances and/or credit facilities made or to be made by ROYAL to the COMPANY and/or to the SUBSIDIARY but shall not include the obligations of the COMPANY and/or the SUBSIDIARY as guarantors, sureties or otherwise for the indebtedness of any third party other than the COMPANY and/or the SUBSIDIARY towards ROYAL;

2.1.11 "ROYAL SECURITY" means all hypothecs, charges and other security interests presently or in the future held by or on behalf of ROYAL over and upon the ASSETS in order to secure the ROYAL OBLIGATIONS;

2.1.12 "SECURITY INSTRUMENTS" means the ROYAL SECURITY, the INSTITUTIONAL INVESTORS SECURITY and the HOLDERS SECURITY;

2.1.13 "TERM DEPOSIT" means that certain term deposit in the principal amount of CDN\$50,000.00 evidenced by certificate number 00760010516-0003 presently hypothecated to and in favour of ROYAL pursuant to the



hypothec registered at the *Register of Personal and Movable Real Rights* under number 98-0058732-0001, as well as all renewals, replacements and/or substitutions thereof;

2.1.14 "TIC TAC TOON ASSETS" means all right, title and interest of the COMPANY and the SUBSIDIARY in and to the "Tic Tac Toon" trademark and the "Tic Tac Toon" software more fully described in Schedule "B" annexed hereto to form part hereof.

2.2 When the context in which the words are used in this Agreement indicates that such is the intent, words in the singular number shall include the plural and vice versa. References to any gender shall include any other gender as may be applicable under the circumstances.

2.3 The terms "herein", "hereof", "hereunder" and other words of similar nature mean and refer to this Agreement as a whole and not merely as to the specific paragraph or clause in which the respective word appears unless expressly so states.

2.4 The headings of all sections hereof are inserted for convenient reference only and shall not affect the construction or interpretation hereof.

3. RANK

3.1 ROYAL, the INSTITUTIONAL INVESTORS and the AGENT hereby irrevocably and unconditionally agree with one another in that all hypothecs, charges and other security interests presently or in the future held by them or on their behalf over and upon the ASSETS, pursuant to each of the SECURITY INSTRUMENTS, shall, notwithstanding dates of execution, registration, filing, crystallization or enforcement, rank such that:

3.1.1 with respect to the TIC TAC TOON ASSETS:

(a) all rights pursuant to the CLUB SECURITY shall rank and subsist in priority to and ahead of all rights pursuant to the SECURITY INSTRUMENTS for the full amount of all obligations owing to CLUB secured by the CLUB SECURITY;



(b) all rights pursuant to the ROYAL SECURITY shall rank and subsist subordinate to all rights pursuant to the CLUB SECURITY, but in priority to and ahead of all rights pursuant to the HOLDERS SECURITY and the INSTITUTIONAL INVESTORS SECURITY for the full amount of the ROYAL OBLIGATIONS; and,

(c) the INSTITUTIONAL INVESTORS SECURITY and the HOLDERS SECURITY shall rank behind the CLUB SECURITY and the ROYAL SECURITY *pari passu*, without preference or priority towards one another.

3.1.2 with respect to the ACCOUNTS RECEIVABLE:

(a) all rights pursuant to the ROYAL SECURITY shall rank and subsist in priority to and ahead of all rights pursuant to the other SECURITY INSTRUMENTS for the full amount of the ROYAL OBLIGATIONS; and,

(b) all rights pursuant to the HOLDERS SECURITY shall rank and subsist subordinate to all rights pursuant to the ROYAL SECURITY, but in priority to and ahead of all rights pursuant to the INSTITUTIONAL INVESTORS SECURITY for the full amount of the HOLDERS OBLIGATIONS;

3.1.3 with respect to the LEASEHOLD IMPROVEMENTS, the EQUIPMENT and the TERM DEPOSIT:

(a) all rights pursuant to the ROYAL SECURITY shall rank and subsist in priority to and ahead of all rights pursuant to the HOLDERS SECURITY and the INSTITUTIONAL INVESTORS SECURITY for the full amount of the ROYAL OBLIGATIONS; and,

(b) the INSTITUTIONAL INVESTORS SECURITY and the HOLDERS SECURITY shall rank behind the ROYAL SECURITY *pari passu*, without preference or priority towards one another.



3.1.4 with respect to the ASSETS other than the TIC TAC TOON ASSETS, the ACCOUNTS RECEIVABLE, the LEASEHOLD IMPROVEMENTS, the EQUIPMENT and the TERM DEPOSIT, the ROYAL SECURITY, the INSTITUTIONAL INVESTORS SECURITY and the HOLDERS SECURITY shall rank *pari passu*, without preference or priority towards one another.

3.2 In the event of realization by any of the parties hereto (the "REALIZING PARTY") under the SECURITY INSTRUMENTS or any portion thereof (i) the parties shall be collocated and paid upon and out of the proceeds thus realized in accordance with the priorities established in Section 3.1 hereof, and (ii) in the event that any REALIZING PARTY exercises its right to sell all or any portion of the ASSETS pursuant to Article 2784 of the *Civil Code of Quebec*, then all other parties ranking below the REALIZING PARTY or *pari passu* with the REALIZING PARTY shall not in any manner whatsoever impede the REALIZING PARTY and/or its representatives from realizing upon the ASSETS and upon simple request by the REALIZING PARTY, but without in any manner waiving and renouncing to their entitlement to any proceeds of realization in accordance with the priorities set forth herein, shall immediately waive and renounce to the whole or any portion of the real rights created by the SECURITY INSTRUMENTS held by such parties in and to such ASSETS forming the object of the REALIZING PARTY's realization;

3.3 In the event of any sale or disposal of the whole or any portion of the ASSETS under the SECURITY INSTRUMENTS and/or judicial sale of the whole or any portion of the ASSETS, the parties hereto shall be collocated and be paid upon and out of the proceeds thus realized in accordance with the priorities set forth herein.

3.4 In the event that, pursuant to the exercise of the hypothecary recourse of taking in payment in virtue of Article 2778 and following of the *Civil Code of Quebec*, a REALIZING PARTY becomes the owner of the whole or any portion of the ASSETS with respect to which the SECURITY INSTRUMENTS held by one or more of the other parties hereto rank *pari passu* with the SECURITY INSTRUMENTS held by the REALIZING PARTY (the "PARI PASSU ASSETS"), then the PARI PASSU ASSETS shall remain charged with such SECURITY INSTRUMENTS and the proceeds of the sale of such PARI PASSU ASSETS shall be dealt with in accordance with Clause 5.1 hereof.

3.5 The priorities set forth and agreed to herein shall be and remain in full force and effect notwithstanding (i) dates of execution and registration and/or granting of the



SECURITY INSTRUMENTS, and (iii) any and all priorities of rank presently or in the future existing under law but shall nevertheless be and remain in force only to the extent of the validity and enforceability of each of the SECURITY INSTRUMENTS.

4. EXERCISE OF SECURITY

4.1 Notwithstanding anything herein contained, in no circumstances whatsoever shall any party hereto be entitled to realize upon or cause or enforcement of any of the SECURITY INSTRUMENTS unless and until such party shall have provided the other parties hereto with fifteen (15) days prior written notice of such parties' intention to realize or cause enforcement of the SECURITY INSTRUMENTS held by same indicating the assets to be realized upon the and the proposed method of realization.

5. IMPUTATION OF PROCEEDS

5.1 It is hereby agreed by the parties hereto that any and all proceeds resulting from (i) the realization, sale or disposal of the whole or any portion of the PARI PASSU ASSETS, (ii) payment of insurance indemnities or any sums paid by an insurer of the PARI PASSU ASSETS, or (iii) any amounts paid as the result of the winding up, liquidation or bankruptcy of the COMPANY and/or the SUBSIDIARY in connection with the SECURITY INSTRUMENTS over the PARI PASSU ASSETS, such proceeds and/or amounts shall be imputed in the following order, namely:

5.1.1 the payment and reimbursement of all amounts, fees and/or expenses incurred and paid by any of the parties hereto, or its representative, in order to conserve, protect and realize upon the PARI PASSU ASSETS;

5.1.2 the *pro rata* payment, reimbursement and/or reduction of any amounts in interest owing under the ROYAL OBLIGATIONS, the INSTITUTIONAL INVESTORS OBLIGATIONS and the HOLDERS OBLIGATIONS;

5.1.3 the *pro rata* payment, reimbursement and/or reduction of any balances in capital of the ROYAL OBLIGATIONS, the INSTITUTIONAL INVESTORS OBLIGATIONS and the HOLDERS OBLIGATIONS; and,



5.1.4 the *pro rata* payment, reimbursement and/or reduction of any other amounts due to the parties hereto.

5.2 The determination of each party's *pro rata* share shall be determined on the date of the realization, the payment of any insurance indemnities, or the date of the liquidation, bankruptcy or distribution, as the case may be.

6. NO ASSIGNMENT

6.1 The parties hereto shall not be entitled to transfer and assign their respective rights, title and interest in and to the SECURITY INSTRUMENTS and the rights contained herein without first having obtained the prior written consent of the other parties hereto.

7. NOTICE

7.1 All written notices, demands and requests of any kind which a party hereto may be required or may desire to serve upon the other parties may be delivered by courier or other means of personal service (including, without limitation, recognized overnight courier service), by registered or certified mail or by telex or telecopier. Any such notice or demand so delivered by registered or certified mail shall be deposited in the mail of the United States or Canada, or in the case of a courier, deposited with the courier with postage thereon fully prepaid. All notices shall be directed to the parties at their respective addresses set forth above.

8. CONSENTS

8.1 The parties hereto give and grant to the COMPANY and the SUBSIDIARY all necessary consent to the granting and creation of the SECURITY INSTRUMENTS, the whole notwithstanding anything stipulated in the SECURITY INSTRUMENTS.

9. GENERAL

9.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada in force therein applicable to contracts made and to be performed wholly within such Province and without regard to the conflicts of laws and principles thereof. Any suit brought in connection

herewith, including any and all legal proceedings to enforce this Agreement, whether they are in contract, toward equity or otherwise, shall be brought in the Provincial or Federal Courts sitting in Montreal, Province of Quebec, the parties hereto waiving any claim or defense that such forum is not convenient or proper. Each of the parties hereby agrees that any such Court shall have *in personam* jurisdiction over it, consents to service or process in any manner, including first class mail, certified mail or registered mail, or in any other manner authorized or permitted by Quebec law, and agrees that a final Judgment in such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit of a judgment or in any manner specified by law.

9.2 The parties hereto do hereby agree to sign all documents and to do all things necessary to give full and proper effect to the provisions of this present Agreement.

9.3 These presents may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one in the same Agreement.

9.4 The parties hereto acknowledge that they have agreed and are satisfied that the foregoing, as well as all notices, actions and legal proceedings be drawn up in the English language. / Les parties à ce document reconnaissent qu'elles ont consenti que ce qui précède ainsi que tous avis, actions ou procédures légales soient rédigés et exécutés en anglais et s'en déclarent satisfaites.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE EXECUTED THE PRESENT AGREEMENT IN THE PLACE AND ON THE DATE HEREINABOVE MENTIONED.

ROYAL BANK OF CANADA


Per:

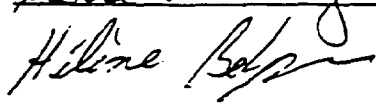


Helene Gauthier
Account Manager

CAPITAL COMMUNICATION CDPQ INC.

Per:



Genevieve Belanger




SOCIÉTÉ INNOVATECH DE GRAND MONTRÉAL

Per:



Hubert Manseau
President and Chief Executive Officer

FONDS D'INVESTISSEMENT DE LA CULTURE
ET DES COMMUNICATIONS, SOCIÉTÉ EN COMMANDITE

Per its general partner GESTION DU FONDS D'INVESTISSEMENT
DE LA CULTURE ET DES COMMUNICATIONS INC.

Per:



Marcel Choquette
President

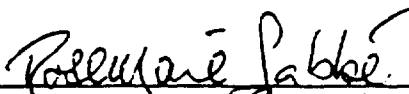
BUSINESS DEVELOPMENT BANK OF CANADA

Per:

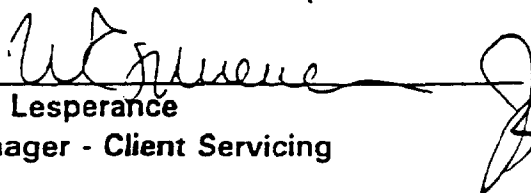


MONTREAL TRUST COMPANY/
COMPAGNIE MONTREAL TRUST, in its capacity
as power of attorney, agent and mandatary of the HOLDERS

Per:


~~Rosemary Labbé~~ Rose-Marie Labbé
Trust Officer

Per:


Guy Lesperance
Manager - Client Servicing

SCHEDULE "A"

Names of the holders of the promissory notes	Amount of the notes
Aclar, David	655,79 \$
Aun, Insook	2 125,84 \$
Aun, Insook, Trustee of the Kūpying Aun, D.D.S., A Professional Corporation, Retirement Trust	4 960,29 \$
Beck, Dale	655,79 \$
Bharat, K.D.Bhan	2 427,45 \$
Caldwell, Barbara J.	2 362,76 \$
California Central Trust Bank cust FBO C. Anthony Stellar A/C #1060443099	9 226,81 \$
Chen, Aiberto Jorge Ho	2 030,99 \$
Chen, Vivien Wai-Wai	4 251,68 \$
Chou, John	6 068,62 \$
Colburn, Norman, Trustee of the Normand Colburn trust	1 213,72 \$
Collins, Robert	5 652,27 \$
Crone, Charles F., M.D.	2 427,45 \$
Crone, Charles F., M.D., A Medical Corporation, A Money Purchase Pension Plan and Trust	573,90 \$
Danzi, Michael R.	2 637,85 \$
Danzi, Michael R., Trustee of the Danzi Family Living Trust, dated July 30, 1993	25 458,26 \$
Davies, Paul M. and/or Catherine E., Trustees of the Davies Family Revocable Trust U/D/T/ 10/1/87	11 337,80 \$
Deibel, Charles J.	2 427,45 \$
Digital Editions, Inc.	157 874,62 \$
DLJSC, Custodian F/B/O Frank Thu-Ching Shu Individual Retirement Account	2 366,77 \$
Donaldson, Lutkin & Jenrette Securities Corporation (TIN 13-2741729) Custodian F/B/O Michael R. Anderson, Acct. #3LY 050322-1	4 854,90 \$
Donaldson, Lutkin & Jenrette Securities Corporation (TIN 13-2741729) Custodian F/B/O James L. Overman, Account #3LY 902167-1	4 854,90 \$
Finlay, William J. & Gloria J.K.	6 068,62 \$
Friedman, Layne	366,84 \$
Froehlich, Richard T., M.D., Custodian for Benjamin Rotnman Froehlich UGTMA	1 620,59 \$
Froehlich, Richard T. IRA	8 143,29 \$
Froehlich, Richard T., M.D., Trustee of the Froehlich Family Trust	31 273,76 \$
Gaw, Harold	498,65 \$
Gilbert, Elizabeth H.	2 366,77 \$
Goldberg, Bennet R.	8 169,24 \$

Goldberg, Lawrence M.	38 733.10 \$
Greenbaum, David	2 427.45 \$
Gregoire, Ronald W.	2 834.45 \$
Gubener, George J.	4 248.03 \$
Haeringer, Gerald C., Trustee of the Gerard C. Haennger Revocable Trust Dated March 5, 1993	6 068.62 \$
Haeringer, Lisa K., Trustee of the Lisa K. Haennger Revocable Trust Dated March 5, 1993	6 068.62 \$
Harvey, Charles T.	4 248.03 \$
Huske, Ronald D. Sr.	4 854.90 \$
Ingram, Philip F.	20 236.85 \$
Joliff, Andrew	281.05 \$
Keith, Robert H. & Eisa S. Co-Trustees of the Revocable living trust (09 December 93) of Robert H. and Eisa S. Keith	6 068.62 \$
Keystone Consulting Group, Inc.	141 893.80 \$
Kouyoumjian, Raymond H.	6 068.62 \$
La Haye, Charles Jr. & Charles JTWROS	2 016.82 \$
Larson, Lawrence H. & Janice L., JTWS	21 240.17 \$
Lee, Barbara C.C.	1 213.72 \$
Lee, Johnson Y.	2 534.66 \$
Leung, Dominic P.	1 417.23 \$
Leung, Nelson	4 251.68 \$
Lin, Chang T. Trustee of the Chang T. Lin, M.D., Sole Proprietor, Defined Benefit Pension Plan Trust	6 068.62 \$
Little, Douglas	281.05 \$
Lwin, Nyunt, Trustee of the Nyunt Lwin, M.D. Retirement Trust	2 125.84 \$
Marcot, Paul	4 684.20 \$
Masters, Robert K., M.D., Separate Individual Retirement Account	4 892.32 \$
Masters, Joan M.	6 068.62 \$
May, Tom F.	20 236.85 \$
Merrill Lynch Custodian F/B/O F. Scott Jackson, Account 207-866T06	4 621.74 \$
Meyer, Michael	655.79 \$
Miller, Mark	5 428.84 \$
Meleen, Stephen R.	2 997.89 \$
Miller, Richard A., Trustee of the Miller Revocable Intervivos Trust U/D/T 11/29/90	12 137.24 \$
Miles, Shelley	18 736.80 \$
Minaya, Gloria	281.05 \$
Ming, Richard L. & James L., Jr.	2 427.45 \$
Pastonno, Charles L.	12 137.24 \$
Perdigao, G. Michael and George V.	2 834.45 \$
Petersen, Audrey L.	2 838.08 \$
Petersen, Denise	1 213.72 \$

Quezada, Raul, Jr.	259.82 \$
Roach, Kate	159.89 \$
Romero, Andrea	1 217.89 \$
Say Partners	12 214.96 \$
Smead, John D.	4 074.77 \$
Smead, Robert J.	2 713.20 \$
Smead, Yvonne	4 069.77 \$
Smith, Charles Dana	799.44 \$
Smith, Pamela Hope	799.44 \$
Smith, Zachary Mark	799.44 \$
Spielvogel, Don	4 684.20 \$
Stellar, Thomas	93.63 \$
Tham, Patrick	3 034.31 \$
USDigimation, LLC	19 288.46 \$
W.A.H. Consulting, Inc.	124 526.80 \$
Whitney, John	3 747.36 \$
Wilcox, Bruce G.	1 913.61 \$
Will, Donald S., Trustee of the Donald S. Will Profit Sharing Trust dated 1/1/89	4 854.90 \$
Wolgast, Paul	281.05 \$
Yocca, Nick E., Trustee of the Nick E. Yocca Profit Sharing Trust	2 427.45 \$
Yoshida, Carolyn	655.79 \$
Zacharias, Curt G.	4 854.90 \$
TOTAL	900 000.00 \$

SCHEDULE "B"

TIC TAC TOON is a computerized animation software targeting the cartoon production market. In 1995, TIC TAC TOON was perceived as being the only system that was entirely vector based and independent from resolution, for drawings as well as stage settings. It was also perceived as being the first product of the new generation of software dedicated to the cartoon market. At that date, it was also the only system which respected the artist's style and line art (high resolution and unring of invisible lines). This characteristic was essential for major studios.

Key system features:

- Developed for facilities which want to have a fully digital production line
- Pressure sensitive tablet with virtual light table
- 3D multi-plane camera environment
- Vector-based background module with custom brush effects
- Automatic lip assignment module with dual audio tracks
- Integrated data base for managing multi-host production data

Toon Boom Technologies Inc and Toon Boom Technologies USA Inc are responsible for the worldwide marketing, sales, development and support of TIC TAC TOON.

Toon Boom Technologies Inc. owns all the intellectual property rights related to the TIC TAC TOON Software

Version Developed over the years:

DEC 1.4
SGI 1.5
1.6
2.0
2.1
2.2 to be released in 1998

TIC TAC TOON and TIC TAC SCAN trademarks are not registered

