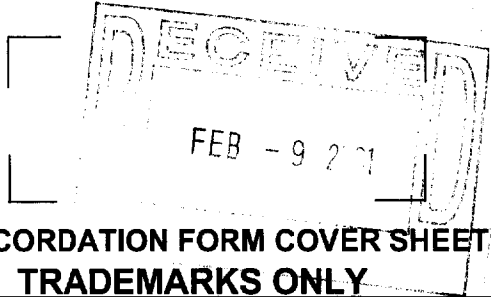


02-21-2001



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FORM PTO-1618A
Expires 06/30/99
OMB 0651-0027



RECORDATION FORM COVER SHEET TRADEMARKS ONLY

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

2-9-01

- New
- Resubmission (Non-Recordation)
Document ID #
- Correction of PTO Error
Reel # Frame #
- Corrective Document
Reel # Frame #

Conveyance Type

- Assignment
- License
- Security Agreement
- Nunc Pro Tunc Assignment
Effective Date
Month Day Year
- Merger
- Change of Name
- Other

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

- Individual
- General Partnership
- Limited Partnership
- Corporation
- Association
- Other

Citizenship/State of Incorporation/Organization

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City

State/Country

Zip Code

- Individual
- General Partnership
- Limited Partnership
- Corporation
- Association

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

Other

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Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2) FEB - 9 2001

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages Enter the total number of pages of the attached conveyance document including any attachments. #

Trademark Application Number(s) or Registration Number(s) Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)			Registration Number(s)		
<input type="text" value="75843112"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1850584"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="2074426"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Number of Properties Enter the total number of properties involved. #

Fee Amount Fee Amount for Properties Listed (37 CFR 3.41): \$


Method of Payment: Enclosed Deposit Account

Deposit Account (Enter for payment by deposit account or if additional fees can be charged to the account.)
Deposit Account Number: #

Authorization to charge additional fees: Yes No

Statement and Signature

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

Vincent N. Palladino  2/2/01
Name of Person Signing Signature Date Signed

**DEED OF HYPOTHEC ON A
UNIVERSALITY OF PROPERTY**

ON THIS 20th day of December, year two thousand.

BEFORE Mtrc Marc Daigault the undersigned Notary practising in the Province of Quebec at Montréal.

APPEARED:

ROYAL BANK OF CANADA, a bank duly governed by the *Bank Act* (Canada), having a place of business at 1 Place Ville-Marie, 8th Floor, North Wing, in Montreal, Province of Quebec, H3C 3A9, represented by Anneliese Di Betta, its Account Manager, duly authorized for the purposes hereof as she so declares.

(the "Creditor")

AND:

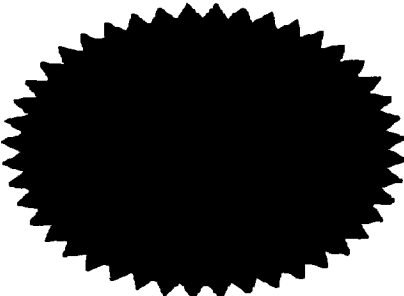
BIBLIOMONDO INC., a corporation duly incorporated pursuant to the *Canada Business Corporations Act*, having its registered office at 3900 Côte Vertu, Suite 203, St-Laurent, Province of Quebec, H4R 2B7, represented by Todd Joron, its President, and Lisa Hays, its Secretary-Treasurer, duly authorized for the purposes hereof by a resolution, a true copy of which is attached hereto, signed for identification by the said officers with and in the presence of the undersigned Notary.

(the "Grantor")

WHEREFORE, the parties hereto have agreed as follows in the presence of the said Notary:

1. SECURED OBLIGATIONS

The hypothec granted by this deed secures the performance of all the present and future obligations (whether now existing or hereafter incurred, matured or unmatured, direct, indirect or contingent) of the Grantor arising under or in connection with credit facilities made available by the



Handwritten initials or signature in the bottom right corner.

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Creditor to the Grantor and identified as Segments "1" (revolving demand loan), "2" (demand variable rate loan in Canadian Dollars for R & D tax credits), "5" (Visa expense cards), "7" (foreign exchange), "8" (demand variable rate loan for R & D tax credits) and "9" (acquisition term loan) in the letter of confirmation of credit facilities dated December 7, 2000 (said letter of confirmation of credit facilities as may be amended, restated, supplemented, replaced or otherwise modified from time to time, being herein referred to as the "Confirmation of Credit Facilities"), the whole including without limitation the payment of principal, interest, fees, costs, indemnities and other amounts payable under the Confirmation of Credit Facilities as well as the strict performance of any obligation provided thereby or under this deed (hereinafter collectively called the "Obligations").

2. HYPOTHEC

2.1 Amount of Hypothec

To secure the performance of the *Obligations*, the *Grantor* hereby hypothecates in favour of the *Creditor* the property described in paragraph 2.2 hereof for the following amounts:

- 2.1.1 a principal amount of four million two hundred one thousand eight hundred and eighty two dollars (\$4,201,882), plus an additional amount equivalent to 15% of such amount, for a total amount of four million eight hundred thirty two thousand one hundred and sixty five dollars (\$4,832,165);
- 2.1.2 plus interest on such total amount, calculated from the date of this deed and compounded annually, at the rate of twenty percent (20%) per annum.

2.2 Description of Hypothecated Property

The hypothec charges the universality of all the *Grantor's* property, movable and immovable, present and future, corporeal and incorporeal, of whatsoever nature and kind and wheresoever situated

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(hereinafter collectively called the "Hypothecated Property"), including without limitation:

2.2.1 all the immovables of the *Grantor*, including without limitation those if any described or referred to in Section 10 hereof, together with everything that may be or become incorporated therewith or permanently physically attached or joined thereto or united thereto by accession, and all real rights relating or attaching to such immovables and all present and future rents payable under any current or future leases therefor (including amounts payable for any right of emphyteusis, use or occupancy) and all indemnities paid under the insurance contracts covering such rents or income losses, and

2.2.2 all tools and equipment pertaining to the enterprise of the *Grantor*, all claims and customer accounts, all patents, trademarks and other intellectual property rights and all corporeal movables included in the assets of any of the *Grantor's* enterprises kept for sale, lease or processing in the manufacture or transformation of property intended for sale, for lease or for use in providing a service, including in particular the trademarks, patents and other intellectual property rights described, as the case may be, in Section 10 hereof.

2.3 Interpretation

The parties hereto acknowledge and confirm:

2.3.1 that the hypothec created on the universality of all the *Grantor's* movable property pursuant to this deed is not and shall not be construed as a floating hypothec within the meaning of articles 2715 *et seq.* of the *Civil Code of Québec*;

2.3.2 that the hypothec constituted hereunder will remain in full force and effect for the

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full amount stipulated in Section 2.1 hereof until such time as an express written discharge is executed by the *Creditor* and delivered to the *Grantor*. The hypothec, security and rights hereby created in favour of the *Creditor* will not be extinguished, reduced, novated or otherwise affected by any payments made to or amounts received by the *Creditor*, directly or indirectly, from the *Grantor* or any other party or as a result of any insurance indemnities arising from loss or damage to any of the *Hypothecated Property* or by reason of the collection of any claims hypothecated hereunder; and

- 2.3.3 that should the *Obligations* at any time be fully extinguished without an express discharge of the hypothec created hereunder having been granted, and should any new *Obligations* arise, the security created hereunder will secure such new *Obligations* in the same manner and to the same extent as if there had never occurred an extinction of any of the *Obligations* and the *Grantor* is and shall remain obligated under the provisions hereof. The *Grantor* shall be deemed to have obligated itself for such new *Obligations* pursuant to the provisions hereof and the hypothec herein created shall secure such new *Obligations* as contemplated by Article 2797 of the *Civil Code of Québec*.

3. DECLARATIONS BY THE GRANTOR

The *Grantor* declares as follows:

- 3.1 that all the immovables of which it is currently the owner are described in Section 10 hereof;
- 3.2 that it is in possession of the *Hypothecated Property* of which it is currently the owner and, where applicable, of any negotiable title documents representing the same;

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- 3.3 except for hypothec on movables granted by the Grantor in favour of the Creditor, the *Hypothecated Property* is not affected by any prior claim or hypothec, or by any other right whatsoever, whether or not published, capable of defeating or ranking prior to the rights conferred by this deed, in particular by reason of default in payment of a rent or a debt owed under a fiscal law, an instalment sale or a sale with right of redemption, or a right of retention, or by reason of failure to comply with a statute or regulation pertaining to the protection of the environment;
- 3.4 that the *Hypothecated Property* forms part of one or more enterprises which it operates.

4. GRANTOR'S UNDERTAKINGS

4.1 Alienation

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

- 4.1.1 not to alienate or lease any of the *Hypothecated Property* described in Section 10 hereof; and
- 4.1.2 not to alienate or lease the other *Hypothecated Property* outside the ordinary course of business of its enterprise.

In the event of any such alienation or rental, even without the *Creditor's* authorization, the *Grantor* (who shall not be relieved of the default resulting from the failure to obtain authorization) shall immediately inform the *Creditor* of the details of such alienation or rental and shall in particular provide the *Creditor* with a description of the alienated or leased property and any property acquired in replacement, the name and address of the acquirer or lessee, as well as details concerning the proceeds of such alienation or rental. The *Grantor* represents to the *Creditor* that in no event shall any alienation of immovables or of equipment parts, intellectual property rights or securities included in the *Hypothecated Property*, and in particular those

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described in Section 10 hereof, be considered an alienation in the ordinary course of business of the *Grantor's* enterprise.

4.2 Transformation

The *Grantor* may not, without the *Creditor's* prior written consent, transform any of the movables forming part of the *Hypothecated Property* either by incorporating such movables into an immovable or by combining or mixing them with other movables so as to form new property, unless such immovables or new property are themselves subject to the hypothec hereby granted or unless such transformation is made in the ordinary course of operating an enterprise of the *Grantor* that is engaged in the business of manufacturing or transforming property. In no event, however, may the *Grantor* transform any such property where such transformation would result in the *Creditor's* security or rights hereunder, including in particular their rank, being diminished.

In the event of any such transformation, even without the *Creditor's* authorization, the *Grantor* (who shall not be relieved of the default resulting from the failure to obtain authorization) shall immediately inform the *Creditor* of the details of such transformation and shall in particular provide the *Creditor* with a description of the property thereby affected, the name and address of the owner of the property that may result therefrom and the address where such property is located.

4.3 Preservation

The *Grantor* shall maintain the *Hypothecated Property* in good condition, having regard for its nature and destination, and should the *Grantor* fail to do so, the *Creditor* may, but shall not be obliged to, make the expenditures necessary for this purpose. The *Grantor* shall reimburse the *Creditor*, upon request, for all such expenditures made by the *Creditor*, with interest at the rate per annum stipulated in paragraph 4.6 hereof from the date of disbursement by the *Creditor*. The *Grantor* shall allow the *Creditor* to inspect the *Hypothecated*

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Property at any time and shall grant the *Creditor* the access necessary for such inspection; it shall keep books and accounting records in accordance with diligent accounting practice with respect to the *Hypothecated Property* and shall allow the *Creditor* to examine the same and obtain copies thereof. The *Creditor* undertakes not to unduly disrupt the *Grantor's* business in carrying out such inspections or examinations, except in an emergency.

The *Grantor* further undertakes to ensure that the *Hypothecated Property* does not become affected by a prior claim or by another hypothec, legal or conventional, or by any other real right whatsoever, without the *Creditor's* prior written consent. Should the *Hypothecated Property* become so affected without such consent having been obtained, the *Grantor* (who shall not be relieved of the resulting default) shall immediately inform the *Creditor* accordingly and shall obtain the cancellation of the rights in question upon request and within the time stipulated by the *Creditor*.

4.4 Insurance

The *Grantor* shall adequately insure the *Hypothecated Property*, at its full undepreciated replacement cost, against damage caused by fire and any other risk or peril that is customarily covered in the *Grantor's* industry or that the *Creditor* may reasonably specify.

The policy (i) shall not contain any provision granting the insurer the right to repair or rebuild, (ii) shall specify that the insurer waives any right to pay a proportional indemnity in a case where property is underinsured, (iii) shall be taken out with a reputable insurer, (iv) shall include provisions dictated by usage in the *Grantor's* industry as a whole or, if the property is not part of an enterprise, that a prudent and reasonable person would require and (v) shall name the *Creditor* as the person to whom payment is to be made in the event of loss and shall contain a hypothecary clause in a form approved by the Insurance Bureau of Canada and satisfactory to the *Creditor* or an equivalent clause

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satisfactory to the *Creditor* under the terms of which clause deceitful representations, bad faith or wrongful acts by the owner or a third party cannot be invoked against the *Creditor*.

The *Creditor* may apply any indemnity to the payment of the *Obligations* or may remit the same to the *Grantor*, in whole or in part, to be used for the repair or replacement of the destroyed or damaged property. The *Grantor* shall execute any document that may be required by the *Creditor* to confirm the hypothec on the replacement property.

The insurance shall be maintained in force until the *Obligations* are fully extinguished and, unless such requirement is expressly waived by the *Creditor*, the *Grantor* shall provide the *Creditor* with a copy of each policy and, at least ten (10) days before any policy is due to expire or be cancelled, with evidence of its renewal or replacement.

The *Grantor* shall notify the *Creditor* as soon as possible in the event of any loss affecting the *Hypothecated Property*.

Should the *Grantor* fail to fulfil such obligation to insure, the *Creditor* may, but shall not be obliged to, take out such insurance on the *Hypothecated Property* as it deems adequate and the *Grantor* shall reimburse the *Creditor* for the cost of such insurance, with interest computed in accordance with paragraph 4.6 hereof, the whole without prejudice to any other remedy that the *Creditor* may have under this deed or at law.

4.5 Taxes

The *Grantor* shall pay as and when they fall due, without subrogation, all assessments and taxes imposed on the *Hypothecated Property*, including, where applicable, any and all municipal, whether general or special, ecclesiastical, urban community, school, water and business taxes, and any and all interest thereon and penalties imposed with respect thereto, and shall deliver to the *Creditor* evidence of payment thereof within thirty (30) days after they or

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any of them become due. Should the *Grantor* fail to pay any of the said assessments and taxes, the *Creditor* may, but shall not be obliged to, pay them on the *Grantor's* behalf, in which event the *Grantor* shall reimburse the *Creditor*, upon request, with interest at the rate per annum stipulated in paragraph 4.6 hereof from the date of any such payment of taxes and assessments by the *Creditor*.

4.6 Fees

The *Grantor* shall reimburse the *Creditor*, upon request, with interest computed at the rate of fifteen percent (15%) per annum from the date of disbursement by the *Creditor*, for all fees and costs related to this deed, including, without limiting the generality of the foregoing, any land survey, appraisal, environmental inspection and other fees and costs, as well as amounts disbursed by the *Creditor* for registrations required for the publication of the rights arising from this deed or for the exercise of such rights, and the renewal of such registrations, where and if required or permitted by law. Fees and costs related to the cancellation of registrations, the removal of a right from a register, the reduction of an entry and the securing of acquittances, discharges, releases and cessions of rank, and those related to any renewal, notice, hypothec or renunciation pertaining to the *Hypothecated Property*, shall also be borne by the *Grantor*.

The *Grantor* further undertakes to reimburse the *Creditor* for all fees and expenses incurred by the *Creditor* to recover from the *Grantor* the amounts due on account of the *Obligations*, with interest computed at the rate of fifteen percent (15%) per annum from the date of any payment made by the *Creditor*.

If the *Grantor* fails to pay when due any sum payable hereunder, the *Creditor* may do so on the *Grantor's* behalf, without notice to the *Grantor*, and the *Grantor* shall reimburse the *Creditor*, upon request, all sums so paid by the *Creditor* with interest from the date of payment at the rate of fifteen percent (15%) per annum. Similarly, if for any reason the

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security or the rights of the *Creditor* hereunder are diminished, the *Creditor* may do all such things and make all such expenditures as are desirable or necessary to preserve its security or rights, without notice to the *Grantor*, and the *Grantor* shall reimburse the *Creditor*, upon request, for all amounts so paid by the *Creditor*, together with interest at the rate of fifteen percent (15%) per annum.

4.7 Registration

The *Grantor* shall cooperate with the *Creditor*, to the extent deemed necessary or useful by the *Creditor*, in order that the *Creditor* may effect the registrations required for publication of the creation, renewal, extension or preservation of the hypothec created in its favour pursuant to this deed, or for the exercise of its hypothecary rights, as the case may be. Without limiting the generality of the foregoing, the *Grantor* shall do, make and execute, at its own expense, all such deeds, documents and things as may be necessary or advisable, in the opinion of the *Creditor's* legal counsel, in order that a valid and enforceable hypothec be created and maintained on any property forming part of the *Hypothecated Property* as of the execution of this deed or at any time in the future.

Should the *Grantor* acquire any immovables that are not described in Section 10 hereof, the *Grantor* shall inform the *Creditor* of such acquisition in writing and shall provide it with a precise description of the immovable or immovables in question and supply all the appropriate information to enable the hypothec hereby granted to be registered against such immovable or immovables.

If at any time the *Hypothecated Property* or any part thereof is not intended to remain in Quebec, the *Grantor* shall immediately inform the *Creditor* accordingly, providing it with all requested particulars. Upon request by the *Creditor*, the *Grantor* shall execute any security or additional document required to allow the *Creditor* to preserve the security granted by this deed on such property or grant the *Creditor* security in the jurisdiction or

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jurisdictions where the property in question will be situated that is equivalent to the hypothec arising from this deed, the whole at the *Grantor's* expense.

4.8 Compliance with the Law

The *Grantor* shall forthwith comply with all statutory, regulatory, administrative and other provisions originating with federal, provincial, municipal or other authorities governing the *Hypothecated Property*, including, without limiting the generality of the foregoing, those pertaining to zoning, use, occupancy, subdivision, parking, historical or cultural designations, fire, access, loading facilities, landscaped areas, pollution of the environment, toxic substances or other environmental hazards, building construction and health and safety, and with all private covenants and restrictions affecting the *Hypothecated Property* or any part thereof. Upon request by the *Creditor*, the *Grantor* shall provide evidence of compliance with any such provisions and shall, at the *Grantor's* own expense, make such structural or other improvements or changes to the *Hypothecated Property* as are necessary to ensure such compliance.

4.9 Inspection

The *Grantor* authorizes the *Creditor* to inspect the immovables included in the *Hypothecated Property* at any time for the purpose of conducting environmental or other tests to determine whether such immovables are in compliance with the statutes and regulations referred to in paragraph 4.8 hereof. The *Grantor* acknowledges that in so doing, the *Creditor* assumes no liability with respect to any violations of such statutes and regulations or to the corrective action that may be required in connection with any such violation.

4.10 Change of Domicile

The *Grantor* shall advise the *Creditor* in writing of any change of its principal place of business within thirty (30) days following such change.

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5. PROVISIONS APPLICABLE TO THE HYPOTHEC ON CLAIMS

The following provisions apply to claims owed to the *Grantor* and hypothecated in favour of the *Creditor*, including present and future rents payable under current and future leases (including amounts payable for any rights of emphyteusis, use or occupation) affecting all or part of the *Hypothecated Property*.

5.1 Collection

Except for those claims consisting of securities pledged to the *Creditor* and those consisting of deposits made with the *Creditor* or one of its subsidiaries, the *Grantor* shall have authority to collect payments of interest and repayments of capital made on the claims included in the *Hypothecated Property* hypothecated in favour of the *Creditor* pursuant to this deed, as they fall due. The *Creditor* may withdraw this authorization by written notice at any time, whether or not the *Obligations* are due. Without limiting the generality of the foregoing, the *Creditor* confirms that until the said authorization has been withdrawn, the *Grantor* may, in the normal course of business, give waivers, discharges and releases in respect of security granted in its favour securing any claims forming part of the *Hypothecated Property* and, hereby expressly authorizes, so long as the *Grantor* is not in default hereunder, the *Grantor* to confirm, on behalf of the *Creditor* and in the name of the *Creditor*, the *Creditor's* consent to such waivers, releases and discharges to the extent and when such confirmation should prove necessary for purposes of effecting cancellations of registrations of any such security so waived, discharged or released. The *Creditor* at any time may take all necessary steps to set up this hypothec against the debtors of the hypothecated claims. In such event, the *Grantor* undertakes to remit to the *Creditor*, upon request, all titles, documents, registers, invoices and accounts evidencing the claims or relating thereto, whatever the nature of their medium and whatever the form in which they are accessible, whether written, graphic, taped, filmed, computerized, or other.

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Any payment received by the *Grantor* on account of any hypothecated claim other than pursuant to the foregoing authorization shall be received for the *Creditor's* account, shall not entitle the *Grantor* to the amounts collected and shall be kept separate from the *Grantor's* other property at all times and remitted forthwith by the *Grantor* to the *Creditor* without compensation.

Notwithstanding the provisions of paragraph 4.1.2 hereof, the *Grantor* is not authorized (i) to alienate any claim forming a part of a universality of claims hypothecated in favour of the *Creditor* without the latter's prior written consent and (ii) to release, in whole or in part, any present or future security granted in favour of the *Grantor* securing any claims forming part of the *Hypothecated Property* without the prior written consent of the *Creditor*.

5.2 Creditor's Rights

The *Creditor* shall not be obliged to exercise its rights to the hypothecated claims or to ensure their recovery from the debtors, whether by legal proceedings or otherwise. Should the *Creditor* decide to collect the hypothecated claims, it shall be at liberty to negotiate such arrangements as it deems appropriate with the debtors or third parties, to enter into agreements with them with respect to the claims and any security securing the claims, and even to waive the claims and such security, the whole without the *Grantor's* consent or intervention, and the *Creditor* shall not thereby incur any liability toward or be accountable to the *Grantor*. Unless the *Grantor* so requests in writing, the *Creditor* shall not be obliged to inform the *Grantor* of any irregularity in the payment of any amounts due on the claims. Apart from its obligation to remit to the *Grantor* any sums collected over and above the amount of the *Obligations* in principal, interest and costs, the *Creditor* shall not be accountable to the *Grantor* with respect to the status of the collections made or any transactions and arrangements entered into.

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5.3 Information

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

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

Where the hypothec granted by this deed affects a claim that is itself secured by a registered hypothec, the *Grantor* shall inform the *Creditor* accordingly and shall supply all the information that the *Creditor* may request in this connection.

5.4 Financial Administration Act (Canada)

Where any of the claims are subject to the provisions of the *Financial Administration Act (Canada)*, the *Grantor* hereby sells, assigns and transfers the same absolutely to the *Creditor* so that, upon a withdrawal of authorization as referred to in paragraph 5.1 hereof, the *Creditor* shall be free to complete the formalities required to make such assignment fully enforceable.

6. PROVISIONS APPLICABLE TO THE HYPOTHEC ON SECURITIES**6.1 Interpretation**

Unless otherwise indicated by the context, "securities" means bills of exchange, notes, shares, warrants, bonds, debentures and other securities considered or acknowledged as securities, as well as the renewals, substitutions and additions to which

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they are subject and the securities and other property received or issued pursuant to any transformation of such securities, along with all income derived and all rights arising therefrom.

6.2 Delivery

Forthwith upon demand by the Creditor, the Grantor undertakes to deliver to the Creditor, or to a mutually agreed upon third party, any and all securities at any time forming part of the Hypothecated Property, duly endorsed in blank for transfer, together with any power of attorney, document and confirmation that the Creditor may reasonably require for such purpose.

The Grantor further undertakes to turn over to the Creditor or to such third party, as soon as the Grantor becomes entitled thereto, the renewals, substitutions and additions to which such securities are subject and the securities and other property received or issued upon the purchase, redemption, conversion, cancellation or any other transformation thereof, along with any income derived and any rights arising therefrom, the same, where applicable, to be duly endorsed in blank for transfer and accompanied by any power of attorney, document and confirmation that the Creditor may reasonably require for such purpose.

6.3 Voting, etc.

Until the occurrence of an Event of Default, the Grantor shall be entitled to vote any and all securities and to give consents, waivers or ratifications in respect thereof; provided that no vote shall be cast or any consent, waiver or ratification given or any action taken which would violate or be inconsistent with any of the terms of the Confirmation of Credit Facilities or this deed or any other instrument or agreement or document relating to the Obligations or which would have the effect of materially impairing the position or interests of the Creditor. All such rights of the Grantor to vote and to give consents, waivers and ratifications shall cease in case an Event of Default shall occur whereupon

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the Creditor shall be entitled, without limiting its other rights and remedies hereunder, to vote all or any part of the securities whether or not transferred in the Creditor's name and give all consents, waivers and ratifications in respect of the securities and otherwise act with respect thereto as though it were the outright owner thereof.

6.4 Dividends and other Distributions

Until the occurrence of an Event of Default, the Grantor may collect all cash dividends payable in respect of the securities, provided that all cash dividends payable in respect of the securities which are determined by the Creditor, in its absolute discretion, to represent in whole or in part an extraordinary, liquidating or other distribution in return of capital, shall be paid to the Creditor and retained by it as part of the Hypothecated Property. The Creditor shall be entitled to receive directly, and to retain as part of the Hypothecated Property:

- (a) all other or additional stock or securities or property (other than cash) paid or distributed by way of dividend in respect of the securities;
- (b) all other or additional stock or other securities or property (including cash) paid or distributed in respect of the securities by way of stock-split, spin-off, split-up, reclassification, combination of shares or similar rearrangement; and
- (c) all other or additional stock or other securities or property which may be paid in respect of the securities by reason of any consolidation, merger, exchange of stock, conveyance of assets, liquidation or similar corporate reorganization or other disposition of securities.

7. POSSESSION OF PROPERTY

This deed creates a hypothec without delivery notwithstanding the undertakings contained in Section 6.2 hereof.

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8. DEFAULT**8.1 Events of Default**

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

- 8.1.1 should the *Grantor* default in the performance of the *Obligations* or fail to comply with any of its obligations or undertakings under this deed, the Confirmation of Credit Facilities or any other agreement between the *Grantor* and the *Creditor*, all as in effect or as hereafter entered into or amended;
- 8.1.2 should the *Grantor* fail to comply with the obligations imposed on it by law with respect to the *Hypothecated Property*;
- 8.1.3 should the *Grantor* fail to pay any amount due or to comply with any of its undertakings under any other deed granting rights on or affecting any of the *Hypothecated Property*;
- 8.1.4 subject to paragraph 4.1.1 hereof, should the *Grantor* alienate or lease, without the *Creditor's* prior written consent, any of the immovables included in the *Hypothecated Property* as of the execution of this deed or at any future time;
- 8.1.5 should the *Grantor* cease operating its enterprise or substantially change its nature;
- 8.1.6 should the *Grantor* become insolvent, file a proposal or a notice of intention to make a proposal to its creditors under the *Bankruptcy and Insolvency Act (Canada)* or any successor or replacement legislation or any equivalent legislation of a foreign jurisdiction, or take steps under the *Companies' Creditors Arrangement Act (Canada)* or any successor or replacement legislation or any equivalent legislation of a

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foreign jurisdiction, or be put in bankruptcy or make an assignment of its property for the benefit of its creditors, or generally take any steps to arrive at a compromise, arrangement or agreement with its creditors or the liquidation of its assets or its bankruptcy;

- 8.1.7 should proceedings be instituted against the *Grantor* to have its assets liquidated or have it declared bankrupt, which proceedings are not diligently contested by the *Grantor* and dismissed or cancelled within twenty-one (21) days after they are instituted;
- 8.1.8 should a prior notice be given by a creditor holding a prior claim or a hypothecary creditor of its intention to exercise a prior claim or hypothecary right or any other security against any part of the *Hypothecated Property*, or should such a right or security be exercised or should a secured creditor take possession of, or a receiver be appointed with respect to, any part of the *Hypothecated Property*;
- 8.1.9 should a writ of seizure be issued against any of the *Hypothecated Property* and a release therefrom not be given within ten (10) days thereafter;
- 8.1.10 should any of the declarations or representations made by the *Grantor* hereunder or in any other document pertaining to the *Obligations* be inaccurate; and
- 8.1.11 should a person (including the State) other than the *Grantor* demand or claim from the *Creditor* payment in full or in part of any amounts that the *Creditor* may advance to the *Grantor* pursuant to any document relating to the *Obligations*;

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8.1.12 any default of the *Grantor* under or in connection with the *Confirmation of Credit Facilities*.

8.2 Effects

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

8.2.1 the *Creditor*, upon the occurrence of any of the events listed in paragraphs 8.1.1 to 8.1.12 hereof, may cease advancing funds or making credit available to the *Grantor* pursuant to the documents relating to the *Obligations* and demand immediate and full payment of the amounts owing on account of the *Obligations*, which shall forthwith become due and payable, and exercise, at its discretion, without restriction and without any prior notice other than such notices as are required by law, any rights and remedies which it has pursuant to this deed or at law, including, in particular, the following hypothecary rights:

- taking of possession for purposes of administration;
- taking in payment;
- sale by the *Creditor*;
- sale by judicial authority.

8.2.2 the occurrence of the event contemplated in paragraph 8.1.11 hereof shall automatically terminate any obligation of the *Creditor* to advance funds or make credit available to the *Grantor* pursuant to the documents relating to the *Obligations*, without any notice or demand being required, the *Grantor* expressly waiving any such

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requirement, and shall entitle the *Creditor* to exercise any of the rights referred to in paragraph 8.2.1 hereof.

8.3 Creditor's Rights

Irrespective of the particular remedy exercised by the *Creditor* in the event of the *Grantor's* default, the following provisions shall apply in addition to any provisions that may by law apply in the circumstances, the *Grantor* expressly agreeing thereto:

8.3.1 the *Grantor* undertakes to voluntarily surrender the *Hypothecated Property* to the *Creditor* upon request, and agrees not to put any impediment in the way of, but rather to facilitate by all legal means, the exercise of the powers hereby granted to the *Creditor* and not to interfere therewith; in addition, the *Creditor* may, but shall not be obliged to, conduct a verification of the *Hypothecated Property*, assemble or move any of such property or take proceedings or do or take any act or action in relation to the *Hypothecated Property* that it may deem advisable, the whole at the *Grantor's* expense;

8.3.2 the *Creditor* may, in addition, at its discretion and at the *Grantor's* expense, whether after the *Grantor* has surrendered the *Hypothecated Property* and until the *Creditor* has exercised the hypothecary right which it intends to exercise, or whether after the *Creditor* has chosen to take possession of the *Hypothecated Property* for purposes of administration, use or operate all or any part of the *Hypothecated Property* (without being obliged to make such property productive), change the destination of or alienate such property by onerous title (except for *Hypothecated Property* of little value) or charge such property with a hypothec or other real right, enter into or renew any

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leases for such amounts and on such terms and conditions as the *Creditor* deems appropriate, make any repairs or renovations or undertake or complete any work;

- 8.3.3 the *Creditor* may, in the exercise of its rights, renounce any right belonging to the *Grantor*, even where no valuable consideration is received;
- 8.3.4 the *Creditor* shall not be bound to make an inventory, take out insurance or furnish other security to secure the performance of its obligations;
- 8.3.5 the *Creditor* may, at its discretion, take possession, through its officers, agents or mandataries, of all or any part of the *Hypothecated Property*, with full power to carry on, manage and conduct the *Grantor's* business; the *Creditor* may use the *Hypothecated Property* or any information that it obtains by reason of its administration for its own benefit;
- 8.3.6 the *Grantor*, through its officers and directors, shall forthwith execute such documents and transfers as may be necessary to place the *Creditor* in legal possession of the *Hypothecated Property* and the business of the *Grantor* in connection therewith, and thereupon all the powers, functions, rights and privileges of each and every one of the directors and officers of the *Grantor* shall cease and terminate with respect to the *Hypothecated Property*;
- 8.3.7 the *Creditor* shall not be obliged to render an account with respect to its actions in the exercise of its hypothecary rights, except as stipulated by law. Should the *Creditor* see fit to render an account, it may do so in summary fashion;

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- 8.3.8 for the purpose of exercising any of its rights, the *Creditor* may make use of any premises on which the *Hypothecated Property* is located, the whole at the *Grantor's* expense;
- 8.3.9 the *Creditor* may, at its discretion, decide to sell and dispose of the *Hypothecated Property* as a whole or in separate parcels, by tender, public auction or private contract, on such date and on such terms and conditions as the *Creditor* may stipulate, after giving such prior notices as are required by articles 2784 and following of the *Civil Code of Québec*, and the *Creditor* may make such sale for cash or credit upon such reasonable conditions as to upset or reserve bid or price and as to terms of payment as it may deem proper, and may rescind or vary any contract of sale that may have been entered into and resell such property under any of the powers conferred by this deed, adjourn any such sale from time to time and execute and deliver to the purchaser or purchasers of the said property or any part thereof good and sufficient deed or deeds for the same, the *Grantor* hereby giving the *Creditor* an irrevocable power of attorney for the purpose of making such sale and executing such deeds, and any such sale made as aforesaid shall be a perpetual bar in law and in equity against the *Grantor* and its assigns and against any other persons who may claim the said property or any part thereof from the *Grantor* or its assigns; and
- 8.3.10 the *Creditor*, or its agents or representatives, may become purchasers at any sale of the *Hypothecated Property*, whether made under the power of sale herein contained or pursuant to foreclosure or other legal proceedings.

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9. MISCELLANEOUS PROVISIONS**9.1 Nature of the Obligations**

Each of the *Obligations* of the *Grantor* is indivisible.

9.2 Nullity of a Provision

In the event that any provision of this deed or the Confirmation of Credit Facilities is declared null and void or is deemed not to have been written, the other provisions of this deed and of the Confirmation of Credit Facilities shall be severable from such provision and shall continue to have full force and effect.

9.3 Application of Payments

Any insurance indemnity, as well as any other amount or other property received by the *Creditor* in the exercise of the rights conferred upon it by this deed or by law or in any other manner with respect to any of the *Hypothecated Property*, may be retained by the *Creditor* as *Hypothecated Property* or 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 *Creditor*, even on account of the voluntary performance of the *Obligations*, shall be applied at the *Creditor's* discretion, and the *Creditor* may vary such application from time to time, in whole or in part, as it sees fit.

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

9.4 Rights Cumulative and Exercise of Remedies

The rights hereby created are in addition to and not in substitution for any other right or security held by the *Creditor*. The exercise by the *Creditor* of any of

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its rights and remedies shall not prevent it from exercising any other right or remedy conferred upon it by this deed or any other security or by law.

The *Creditor* may, separately or successively, exercise the rights conferred upon it by this deed on any part of the *Hypothecated Property*, without being obliged to do so on the entire *Hypothecated Property* and without prejudice to its rights and remedies with respect to the remaining *Hypothecated Property*, and it shall not be in any way obliged to exercise its rights and remedies against any other person liable for the *Obligations* or to realize any other security securing the *Obligations*.

The *Creditor* may delegate the exercise of its rights or the performance of its obligations arising from this deed to another person and may in such case supply to such other person any information that it holds on the *Grantor* or on the *Hypothecated Property*.

9.5 Notice of Default

The mere expiry of the time limit for performing any of the *Obligations* shall serve to put the *Grantor* in default, without any notice or demand being required for that purpose.

9.6 Waivers

The *Grantor* may not claim that an act or omission by the *Creditor* 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 *Creditor* has expressly so stated after the occurrence of the default.

9.7 Power of Attorney

The *Grantor* hereby grants to the *Creditor* an irrevocable power of attorney with full powers of substitution and revocation, to do, make and execute, for the *Grantor* and in its name, all such deeds, documents, transfers, assignments, hypothecs, assurances, consents and things as the *Creditor* may deem necessary or appropriate to be done, made or executed by the *Grantor* to protect the *Creditor's*

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rights hereunder and/or preserve the *Hypothecated Property* and to give effect to all the provisions of this deed and the documents and other acts, matters and things that the *Grantor* has agreed to do, make and execute or that may be required in the exercise of the powers conferred upon the *Creditor* by this deed, and in particular, without limiting the generality of the foregoing, to endorse or transfer all or any part of the securities, if any, included in the *Hypothecated Property* over to the *Creditor* or its agents, correspondents or mandataries, including any depository, so that the *Creditor* or its agents, correspondents or mandataries may be registered as sole owners of such securities, and to obtain from any taxation authority at any time, if deemed useful, any information necessary to allow the *Creditor* to determine the amount of the *Grantor's* indebtedness to such taxation authorities. The *Grantor* also grants to each of such persons holding its power of attorney the right to use its name whenever they may deem it necessary or appropriate to do so for the purposes hereof and the *Grantor* further ratifies and confirms, and undertakes to ratify and confirm, all acts and actions done or taken by each of such persons in connection herewith.

9.8 Indemnification

The *Grantor* hereby agrees and undertakes to indemnify the *Creditor* and save and hold it harmless from and against any and all losses, expenses, costs and liabilities (including legal fees and disbursements) that the *Creditor* or any of its mandataries or persons holding its power of attorney may sustain or incur in the exercise of the powers and rights conferred upon the *Creditor* hereunder.

9.9 Election of Domicile

Any service, notice or demand shall be given or made upon the *Grantor* at its domicile. However, if the *Creditor* is unsuccessful in locating the *Grantor* at such address, such service, notice or demand may be given or made at the office of the Clerk of the Quebec Superior Court for the district in which the greater part of the *Hypothecated Property* is located, the

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Grantor electing domicile at such office for the purposes hereof in that eventuality.

9.10 Interpretation

References herein to gender shall include all genders and the singular shall include the plural and vice versa, as required by the context.

9.11 Divisions and Titles

The division of this deed into Sections, paragraphs and subparagraphs and the insertion of titles are for ease of reference only and shall not influence its meaning or construction.

9.12 Applicable Law

This deed shall be governed and construed in accordance with the laws in force in the Province of Quebec. It must also be interpreted so that any Hypothecated Property located in another jurisdiction be affected by a valid security under the applicable law of such other jurisdiction.

9.13 Explanation of Contract

The *Grantor* confirms that the *Creditor* has provided it with adequate explanations concerning the nature and scope of this deed and that it has had an opportunity to consult a lawyer, notary or other adviser in connection therewith.

9.14 Language

The parties hereto confirm that it is their wish that this deed and all documents relating thereto, including notices, be drawn up in the English language. Les parties aux présentes confirment leur volonté que cet acte de même que tous documents, y compris tous avis, s'y rapportant soient rédigés en langue anglaise.

10. DESCRIPTION OF CERTAIN SPECIFIC PROPERTY INCLUDED IN THE HYPOTHECATED PROPERTY (AS OF THE EXECUTION OF THIS DEED)

10.1 Immovables

None

10.2 Intellectual Property Rights

Trademarks

<u>Description</u>	<u>Registration / Application number</u>	<u>Jurisdiction</u>
• <u>BEST-SELLER & DESIGN</u>	<u>T.M.A. 391.452</u>	<u>Canada</u>
• <u>BEST-SELLER & DESIGN</u>	<u>T.M.A. 452.676</u>	<u>Canada</u>
• <u>BEST-SELLER & DESIGN</u>	<u>Application No. 1.034.876</u>	<u>Canada</u>
• <u>BEST-SELLER & DESIGN</u>	<u>T.M.A. 391.451</u>	<u>Canada</u>
• <u>BEST-SELLER PORTFOLIO</u>	<u>T.M.A. 194420</u>	<u>Canada</u>
• <u>BEST-SELLER PORTFOLIO</u>	<u>2.074.436</u>	<u>United States</u>
• <u>BEST-SELLER & DESIGN</u>	<u>1.850.584</u>	<u>United States</u>
• <u>BEST-SELLER & DESIGN</u>	<u>Application No. 74.042.480</u>	<u>United States</u>
• <u>BEST-SELLER & DESIGN</u>	<u>Application No. 1.468.842</u>	<u>European Community</u>

WHEREOF ACTE.

DONE AND PASSED at Montréal on the day, month and year first mentioned above and entered in the minutes of the undersigned Notary under number ONE HUNDRED AND TWENTY-NINE (129).

AND the representatives of the parties declared to the Notary to have taken cognizance of the present deed and to have exempted him from reading same or causing same to be read, following which the representatives of the parties signed in the presence of the Notary and as follows:

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ROYAL BANK OF CANADA

By: 

BIBLIOMONDO INC

By: 

By: 



Marc Daigneault, Notary

A true copy of the original hereof
remaining of record in my office

