

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	Deed of Hypothec

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Mecachrome International Inc.		05/11/2006	CORPORATION: CANADA

RECEIVING PARTY DATA

Name:	Royal Bank of Canada
Street Address:	200 Bay Street
Internal Address:	12th Floor, South Tower, Royal Bank Plaza
City:	Toronto, Ontario
State/Country:	CANADA
Postal Code:	M5J 2W7
Entity Type:	Chartered Bank: CANADA

PROPERTY NUMBERS Total: 7

Property Type	Number	Word Mark
Serial Number:	78650227	M.E.C.
Serial Number:	76580588	MECACHROME INTERNATIONAL
Serial Number:	76602633	M.E.C.
Serial Number:	76580587	MECACHROME INTERNATIONAL
Serial Number:	76580586	MECACHROME INTERNATIONAL
Serial Number:	76580585	MECACHROME INTERNATIONAL
Serial Number:	76580584	MECACHROME INTERNATIONAL

CORRESPONDENCE DATA

Fax Number: (212)336-8001
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
 Phone: (212) 336-8000
 Email: ptodocket@arelaw.com
 Correspondent Name: Max Vern
 Address Line 1: 90 Park Avenue

CH \$190.00 78650227

Address Line 2: Amster, Rothstein & Ebenstein LLP
Address Line 4: New York, NEW YORK 10016

ATTORNEY DOCKET NUMBER: 65466/38

DOMESTIC REPRESENTATIVE

Name:
Address Line 1:
Address Line 2:
Address Line 3:
Address Line 4:

NAME OF SUBMITTER: Max Vern

Signature: /Max Vern/

Date: 05/23/2006

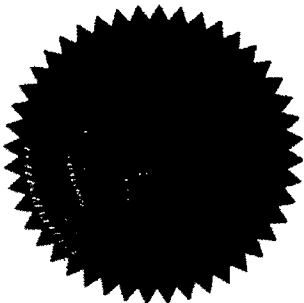
Total Attachments: 36

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Minute no. 109

DEED OF HYPOTHEC AND ISSUE OF DEBENTURES

**ON THIS ELEVENTH (11TH) DAY OF MAY,
TWO THOUSAND SIX (2006).**

BEFORE Mtre. Sabrina DESGAGNÉ, notary, practising in the City of
Montréal, Province of Québec.

APPEARED: ROYAL BANK OF CANADA, a
legal person, having a place of business at
200 Bay Street, 12th Floor, South Tower,
Royal Bank Plaza, in the City of Toronto,
Province of Ontario, M5J 2W7, herein acting
as "*fondé de pouvoir*" under Article 2692 of
the *Civil Code of Québec* and represented by
Amy Promaine, its authorized signatory
hereunto duly authorized for the purposes
hereof as she so declares;

PARTY OF THE FIRST PART

Notice of address of the Attorney has been
published at the Register of personal and
movable real rights under number 028691 ;

AND:

**MECACHROME INTERNATIONAL
INC.**, a legal person incorporated under the
laws of Canada, having its registered office at
1501 McGill College, 12th Floor, Montréal,
Province of Québec, H3A 3M8, herein acting
and represented by Guillaume Casella, its Co-
Chief Executive Officer, duly authorized for
the purposes hereof in virtue of a resolution
of its board of directors, a certified copy,
extract or duplicate of which resolution
remains hereto annexed after having been
acknowledged as true and signed for
identification by the said representative in the
presence of the undersigned notary.

PARTY OF THE SECOND PART

WHEREAS the Grantor has, under its governing law and constating
documents, the power to issue, re-issue, sell or pledge debt obligations of
the Grantor and to mortgage, hypothecate, pledge or otherwise create the
security in all or any property of the Grantor, now owned or subsequently
acquired, to secure any obligation of the Grantor, and is duly authorized to
create and issue Debentures as hereinafter provided and to secure the same
as provided for by this Deed;

WHEREAS the Grantor is desirous of creating, issuing and securing Debentures in the manner hereinafter set forth.

WHEREAS all necessary corporate proceedings and resolutions have been duly taken and passed by the Grantor and other actions have been taken to authorize the execution of this Deed and the issue and securing of the Debentures in conformity therewith.

WHEREAS as continuing collateral security for the fulfilment of the Obligations, the Grantor has agreed to hypothecate all of its right, title and interest both present and future, in and to the property, assets and rights more fully described herein.

NOW, THEREFORE, THE PARTIES HERETO HAVE AGREED AS FOLLOWS:

**ARTICLE 1
INTERPRETATION**

Section 1.1 Definitions

Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement. As used herein, the following terms have the following meanings unless there is something in the subject matter or context inconsistent therewith:

“**Agent**” means Royal Bank of Canada, as revolving administrative agent and collateral agent under the Credit Agreement, together with any successor administration agent appointed in accordance with the terms of the Credit Agreement.

“**Attorney**” means the Party of the First Part, as *fondé de pouvoir* for the Debentureholders, and includes its successors and assigns.

“**Charged Property**” means collectively the Immovable Property, the Movable Property and all Rents produced by the Immovable Property and all indemnities paid under insurance contracts covering such Rents.

“**Claims**” means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all present and future claims directly or indirectly held by the Grantor or owed to the Grantor including, without limitation:

(i) all accounts receivable, book accounts, book debts, loan receivables including principal, interest and accessories, debts, claims, customer accounts, all sums of money, claims arising from or related to deposits made into any savings or other accounts maintained with any bank or other financial institution together with all interest paid or payable thereon, rentals (other than Rents), revenues, income, receivables, sale proceeds, judgments, bills of exchange, bonds, shares, stocks, warrants,

debentures, notes, negotiable instruments, certificates of deposit, letters of credit or guarantee, promissory notes, rebates, refunds, amounts owing by or claimable from the Crown or any departments, agents or agencies thereof (but only to the extent that same may be hypothecated pursuant to applicable law), and any other amounts or demands of every nature and kind howsoever arising (including, without limitation, those arising under Contracts), whether or not secured, which are now or become hereafter due or owing to the Grantor;

(ii) all movable and immovable security present or future including all legal or conventional hypothecs and other security held from time to time by the Grantor under or in connection with the foregoing; and

(iii) all indemnities and insurance proceeds (other than those paid under insurance contracts covering Rents produced by the Immovable Property) and expropriation proceeds received, which may be received or to which the Grantor is or may become entitled.

"Contracts" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all present and future agreements, contracts, undertakings, options, licenses, permits or other documents and instruments (including hedging agreements) to which the Grantor is or may become a party or to the benefit of which the Grantor is or may become entitled and the benefit of all covenants, obligations, agreements, representations, warranties and undertakings in favour of the Grantor relating to any part of the Charged Property and all extensions, amendments, renewals or substitutions thereof or therefor which may hereafter be effected or entered into and all benefits of the Grantor to be derived therefrom.

"Copyright License" means any and all rights now owned or hereafter acquired by the Grantor under any written agreement granting any right to use any Copyright or Copyright registration.

"Copyrights" means all of the following now owned or hereafter adopted or acquired by the Grantor: (i) all copyrights and incorporeal property of like nature (whether registered or unregistered) now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the Canadian Copyright Office of the Canadian Intellectual Property Office or in any similar office or agency in any other country or any political subdivision thereof, and (ii) all reissues, extensions or renewals thereof.

"Credit Agreement" means the credit agreement to be dated on or about May 17, 2006, among the Grantor, as borrower, the Initial Lenders, the Initial Issuing Banks and the Swing Line Bank from time to time party thereto, the Agent, Royal Bank of Canada Europe Limited, as term administrative agent, as well as Merrill Lynch, Pierce Fenner & Smith

Incorporated and RBC Capital Markets, as Joint Lead Arrangers and Joint Book Running Managers, as same may be amended, modified, supplemented, restated, extended, renewed, or superseded from time to time.

"Debentureholder" or **"Holder"** means a Person entered as a holder of Debentures in the register maintained for that purpose by the Attorney.

"Debentures" means the debentures which have been or may be issued hereunder.

"Design" shall mean all of the following now owned or hereafter acquired by the Grantor: (i) all industrial designs and incorporeal property of like nature (whether registered or unregistered), now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the Canadian Intellectual Property Office or in any similar office or agency in any other country or any political subdivision thereof, and (ii) all reissues, extensions or renewals thereof.

"Design License" shall mean rights under any written agreement now owned or hereafter acquired by the Grantor granting any right to use any Design.

"Distributions" has the meaning given thereto in Section 5.3 hereof.

"Equipment" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all present and future equipment now owned or hereafter acquired by the Grantor including, without limitation, all machinery, tools, equipment, computer equipment, building materials, construction materials, fittings, appliances, apparatus, telecommunications equipment, interior improvements, software, furniture, fixtures, furnishings and rolling stock and any movable equipment used in connection with the operation, security, maintenance, management, cleaning, landscaping, snow removal, repairs or improvements of or to any part of the Charged Property and all additions to, substitutions for, replacements of or accessions to any of the above and all attachments, components, parts and accessories.

"Event of Default" has the meaning given thereto in Article 8 hereof.

"Grantor" means the Party of the Second Part and its successors and permitted assigns.

"Immovable Property" means (i) the universality consisting of all the right, title and interest of the Grantor from time to time in all future immovable properties, (ii) all present and future structures and works of a permanent nature located from time to time in, on or upon any of said

immovable property, including, without limitation, all buildings, facilities, accessories, structures and other improvements, (iii) all present and future property which is deemed by law to be immovable and which is located or incorporated from time to time in, on or upon any of said immovable property, and (iv) all alterations, additions, reconstructions or expansions to and replacements to any of the said immovable property.

"Intellectual Property" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all present and future business or trade names, Trademarks, Patents, Designs, Copyrights, Licences, software and other intellectual property rights including the Trademarks, Patents, Designs and Copyrights described in Schedule "B" hereof, if any.

"Inventory" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all present and future goods in stock, inventory, merchandise, materials, raw materials, work in progress, finished goods, advertising, packaging and shipping materials and supplies owned by the Grantor or held on its behalf, including movable property held for the purpose of being sold, rented or altered by means of transformation or manufacturing process of a good destined for sale or for rent or with respect to services offered, or goods held by third parties with respect to a rental agreement, leasing contract, franchise contract or licence or other agreement executed with the Grantor, regarding raw materials, manufactured or semi-manufactured or treated materials or products, or goods used or consumed in the business of the Grantor and all warehouse receipts, bills of lading and other documents or instruments now or hereafter issued with respect to the foregoing; goods that were part of any goods in stock which, pursuant to an alienation contract executed with respect thereto for the benefit of a third party, shall remain the property of the Grantor pursuant to a reservation of ownership in its favour shall be deemed to be goods in stock as long as the ownership thereof is not transferred to such third parties; are also deemed to be goods in stock, goods which, after having been alienated, have again become the property of the Grantor as a result of a resolution, termination or repossession.

"Leases" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all present and future leases, subleases, offers to lease or sublease and other occupancy or tenancy agreements to which the Grantor is bound, whether as lessor or lessee thereunder, in each case for the time being in effect and shall include all revisions, alterations, modifications, amendments, extensions, renewals, replacements or substitutions thereof or therefor which may hereafter be effected or entered into.

"License" means any Copyright License, Design License, Patent License, Trademark License or other license of rights or interests now held or hereafter acquired by the Grantor.

"Lien" means any mortgage, prior claim, charge, pledge, hypothec, security interest, assignment, encumbrance, lien (statutory or otherwise), title retention agreement or arrangement, or other encumbrance of any nature or any other arrangement or condition that in substance relates to an asset to secure payment or performance of an obligation.

"Movable Property" means collectively the Claims, the Contracts, the Distributions, the Equipment, the Intellectual Property, the Inventory, the Leases, the Rents (other than Rents payable under Leases related to the whole or any part of the Immovable Property), the Proceeds, the Records, the Securities, the Title Documents and all other movable property, assets or rights, present and future, corporeal and incorporeal, of the Grantor.

"Obligations" means the due payment of the Debentures and the due payment and performance of all present and future obligations of the Grantor under this Deed.

"Patent License" means rights under any written agreement now owned or hereafter acquired by the Grantor granting any right with respect to any invention on which a Patent is in existence.

"Patents" means all of the following in which the Grantor now holds or hereafter acquires any interest: (i) all letters patent of invention and all applications for letters patent, all design patents and all registrations and recordings thereof, including registrations, recordings and applications in the Canadian Intellectual Property Office or in any similar office or agency in any other country or political subdivision thereof, and (ii) all reissues, continuations, continuations-in-part or extensions thereof.

"Proceeds" means the universality consisting of all identifiable or traceable movable property, present or future, in any form derived directly or indirectly from any dealing with the Charged Property or the proceeds therefrom including any payment or right to a payment or insurance representing an indemnity or compensation for loss of or damage to the Charged Property or any part thereof or proceeds therefrom.

"Records" means the universality consisting of all present and future deeds, documents, books, manuals, papers, letters, invoices, writings and data (electronic or otherwise), recordings, evidencing or relating to the Charged Property or any part thereof including all copies and representations of the Intellectual Property in any form now known or in the future developed or discovered including, without limitation, those on paper, magnetic and optical media, and all working papers, notes, charges, drawings, materials and diagrams created in the process of developing the Intellectual Property.

"Rents" means the universality consisting of all the Grantor's right, title and interest from time to time, in and to all present and future (i) rent, percentage rent, additional rent and other amounts payable or derived from

the Leases or securing obligations thereunder; and (ii) indemnities and insurance proceeds received, which may be received or to which the Grantor is or may become entitled in connection with such rents and other amounts.

"Securities" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all shares, limited partnership units, trust units, stock, warrants, bonds, debentures, debenture stock and other security in which the Grantor now or hereafter has an interest, and any part thereof, including on the date hereof, the shares of the Subsidiaries described in Schedule "C" hereof, if any, together with any renewals thereof, substitutions therefor and additions thereto and all certificates and instruments evidencing or representing the Securities and any and all other property that may at any time be received or receivable by or otherwise distributed to or acquired by the Grantor in any manner in respect of, or in substitution for, or in addition to, or in exchange for, or on account of, any of the foregoing, including, without limitation, any shares or other securities resulting from the subdivision, consolidation, change, conversion or reclassification of any of the securities, or the occurrence of any event which results in the substitution or exchange of such securities.

"This Deed", "these presents" and similar expressions refer to this deed including all schedules, amendments, supplements, extensions, renewals, replacements or restatements from time to time.

"Title Documents" means the universality consisting of all present and future warehouse receipts and similar documents of title relating to Inventory.

"Trademark License" means rights under any written agreement now owned or hereafter acquired by the Grantor granting any right to use any Trademark.

"Trademarks" means all of the following now owned or hereafter adopted or acquired by Grantor: (i) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and incorporeal property of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the Canadian Intellectual Property Office or in any similar office or agency in any other country or any political subdivision thereof; (ii) all reissues, extensions or renewals thereof; and (iii) all goodwill associated with or symbolized by any of the foregoing.

Section 1.2 Severability

If any one or more of the provisions contained in this Deed or the Debentures shall for any reason be held by a court of competent jurisdiction

to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall, at the option of the Attorney, be severable from and shall not affect any other provision of this Deed or the Debentures, as the case may be, but this Deed or the Debentures shall be construed as if such invalid, illegal or unenforceable provision had never been contained in this Deed or the Debentures.

Section 1.3 Interpretation and Headings

The Grantor acknowledges that this Deed is the result of negotiations between the parties and shall not be construed in favour of or against any party by reason of the extent to which any party or its legal counsel participated in its preparation or negotiation. The words "hereto", "herein", "hereof", "hereby", "hereunder" and similar expressions refer to the whole of this Deed including, without limitation, these additional provisions, and not to any particular Section or other portion thereof or hereof and extend to and include any and every document supplemental or ancillary hereto or in implementation hereof. Words in the singular include the plural and words in the plural include the singular. Words importing the masculine gender include the feminine and neuter genders where the context so requires. Words importing the neuter gender include the masculine and feminine genders where the context so requires. The headings do not form part of this Deed and have been inserted for convenience of reference only. Any reference to "including" shall mean "including without limitation" whether or not expressly provided. If more than one Person is named as, or otherwise becomes liable for or assumes the obligations and liabilities of the Grantor, then all such Persons shall be solidarily liable for all such obligations and liabilities.

Section 1.4 Enurement

This Deed shall enure to the benefit of and be binding upon the heirs, executors, administrators, successors (including any successor by reason of amalgamation) and permitted assigns of the parties hereto.

Section 1.5 Effective Date

The Hypothec created hereunder shall take effect upon execution of this Deed by the parties hereto even if none of the Debentures have been issued at such time.

Section 1.6 Currency

All dollar references in this Deed are expressed in Canadian Dollars.

**ARTICLE 2
ISSUE OF DEBENTURES**

Section 2.1 Limitation of Issue

The Debentures which may be created and issued under this Deed are limited to the aggregate principal amount of three hundred million Dollars (\$300,000,000) and may be created and issued for such amounts and on such terms as the directors of the Grantor may determine.

Section 2.2 Form of Debentures

The Debentures shall be substantially in the form set out in Schedule "A" of this Deed. The Debentures shall bear the date of their issuance and shall be payable at the place indicated therein or at any other place subsequently designated by the Debentureholder. The Debentures shall bear interest from the date of their issuance, both before and after maturity, at the rate of twenty-five percent (25%) per annum. The principal and interest of the Debentures shall be payable on demand, with interest on overdue interest at the aforementioned rate.

Section 2.3 Signature of Debentures

The Debentures may be signed by any officer or director of the Grantor or any other Person designated by the directors of the Grantor.

Section 2.4 Execution

The execution of the Debentures by the Grantor shall constitute conclusive evidence that the Debentures have been issued hereunder but shall not be construed as a representation or warranty by the Attorney as to the validity of this Deed, the security constituted hereby or the Debentures, and the Attorney shall in no way be liable for the use made of the Debentures or the proceeds thereof.

Section 2.5 Hypothecation and Assignment

The Debentures may be hypothecated, pledged or assigned by the Grantor as security for any indebtedness or any other obligations, direct or indirect, present or future, of the Grantor or any other Person, or may be sold or otherwise alienated. In the event of such hypothec, pledge or assignment, the extinction of the underlying indebtedness or obligation shall not constitute payment of the Debentures.

Section 2.6 Rank

All Debentures shall rank equally and shall be equally and rateably secured by the Hypothec constituted hereunder.

Section 2.7 Registration and Transfer

The Attorney shall cause to be kept a register in which shall be entered the name and address of each of the Debentureholders. No transfer of Debentures shall be valid unless made on such register and upon compliance with such reasonable requirements as the Attorney may prescribe. The registered holder of a Debenture shall be deemed to be the owner thereof for all purposes of this Deed.

Section 2.8 Replacement of Debentures

Upon request from a Debentureholder and subject to such reasonable requirements as the Attorney may prescribe, including an appropriate indemnity by such Debentureholder to the Grantor, the Grantor shall issue and deliver a new Debenture certificate in place of a Debenture certificate requiring replacement by reason of such certificate having been lost, mutilated or destroyed or for any other reason.

**ARTICLE 3
CHARGE**

Section 3.1 Hypothec

To secure the full and timely payment and performance of the Obligations, the Grantor hereby hypothecates and, to the extent necessary or useful, particularly but without limitation with respect to property located outside of the Province of Québec, creates a security interest in the Charged Property in favour of the Attorney, as *fondé de pouvoir* for the equal and rateable benefit of the Debentureholders, for the principal sum of three hundred million Dollars (\$300,000,000), together with interest thereon at the rate of twenty-five percent (25%) per annum, calculated semi-annually and not in advance (such hypothec and security interest being herein collectively referred to as the "Hypothec");

PROVIDED HOWEVER that if any agreement forming part of the Charged Property contains a provision which provides in effect that such agreement may not be assigned, subleased, charged, hypothecated or encumbered without the leave, license, consent or approval of the applicable counterparty, the application of the Hypothec created hereby on any such property shall be under the suspensive condition of obtaining such leave, license, consent or approval, provided that the proceeds and accounts receivable resulting therefrom shall be immediately hypothecated hereunder to the extent that the assignment or hypothecation of such proceeds and accounts receivable is not prohibited.

Section 3.2 Continuing Security

The Hypothec created herein is continuing security and will subsist notwithstanding any fluctuation or repayment of the Obligations hereby secured. The Grantor shall be deemed to obligate itself again, as provided

in Article 2797 of the *Civil Code of Québec*, with respect to any future obligation hereby secured.

**ARTICLE 4
ADDITIONAL PROVISIONS WITH RESPECT TO THE
HYPOTHEC ON RENTS AND CLAIMS**

Section 4.1 Debt Collection

The Attorney hereby authorizes the Grantor to collect all Rents and Claims as and when they become due, save and except as otherwise provided for under the terms of the Credit Agreement or the terms hereof.

Section 4.2 Withdrawal of Authorization to Collect

Upon the occurrence and during the continuance of an Event of Default, the Attorney may, at its discretion, withdraw the authorization granted above, by giving notice as prescribed by law, whereupon the Attorney shall immediately be entitled to collect all Rents and Claims referred to in such notice. The debtors under such Rents and Claims shall comply with the notice received from the Attorney and thereafter shall pay all Rents and Claims to the Attorney without inquiry into the state of accounts between the Attorney and the Grantor.

Section 4.3 Accounts and Records

Should the Attorney serve a notice withdrawing the authorization granted to the Grantor to collect the Rents and Claims as provided for above, the Grantor hereby agrees that all accounts and records maintained by the Attorney with respect to any such Rents and Claims received and their application by the Attorney shall be *prima facie* conclusive and binding unless proven to be wrong or incorrect.

Section 4.4 Powers in Connection with Collection of Rents and Claims

Without limiting or otherwise restricting the Attorney's rights as set forth herein or at law, upon the occurrence and during the continuance of an Event of Default, the Attorney is irrevocably authorized in connection with the collection of Rents and Claims, as the Grantor's agent and mandatary, to:

- (a) grant delays, take or abandon securities;
- (b) grant releases and discharges, whole and partial, with or without consideration;
- (c) endorse all cheques, drafts, notes and other negotiable instruments issued to the order of the Grantor in payment of Rents and Claims;

- (d) take conservatory measures and appropriate proceedings to obtain payment of Rents and Claims;
- (e) negotiate and settle out of court with the debtors of Rents and Claims, their trustee if there is a bankruptcy or insolvency, or any other legal representative, the whole as it deems appropriate; and
- (f) deal with any other matter relating to the Rents and Claims, in its discretion, without the intervention or the consent of the Grantor;

the Attorney shall not however be liable for any damages or prejudice which may result from its fault, other than resulting from its gross negligence or intentional fault.

Section 4.5 Collection of Rents and Claims by the Grantor

If, despite the withdrawal of authorization by the Attorney in accordance with the terms hereof, any Rents or Claims are paid to the Grantor, the Grantor shall be deemed to have received such amounts as agent and mandatary for the account and on behalf of the Attorney and shall pay all such amounts to the Attorney forthwith upon receipt.

Section 4.6 Further Assurances

If, as and when reasonably requested by the Attorney, the Grantor shall remit to the Attorney all documents which are useful or necessary for the purposes set forth in this Article 4, shall sign any useful or necessary documents without delay, and, as the case may be, shall collaborate in the collection by the Attorney of the Rents and Claims.

Section 4.7 Obligation of the Grantor to Provide Information relating to the Rents and Claims

Upon reasonable demand of the Attorney and subject to the provisions of the Credit Agreement, the Grantor undertakes to provide the Attorney with a list of all its debtors and all its books, accounts, letters, invoices, papers, contracts, negotiable instruments, title documents, Liens and other documents attesting to the existence of the whole or any part of the Rents and Claims or relating thereto, and, upon the occurrence and during the continuance of an Event of Default, to permit the Attorney or its agents access to the Grantor's premises, at the expense of the Grantor and at such times and as often as may be reasonably requested, in order to inspect and make copies of the aforementioned books and documents. The Grantor is also bound to assist the Attorney and provide it with all information which the Attorney may find useful in the collection of the Rents and Claims.

Section 4.8 Guaranteed Claims

The Grantor represents and warrants that none of the Claims which are presently vested in the Grantor having a value in excess of \$250,000 are themselves secured by a Lien or by the suretyship of a third Person in favour of the Grantor, and the Grantor undertakes to notify the Attorney without delay of any Claim having a value in excess of \$250,000 which now is or may at any time hereafter become vested in the Grantor and which, following the date hereof, is or becomes secured by a Lien or by the suretyship of a third Person in favour of the Grantor and to provide the Attorney with copies of the agreements or other documents evidencing such Liens or such suretyships.

Section 4.9 Waiver

The Grantor hereby waives any obligation the Attorney may have to inform the Grantor of any irregularity in the payment of any Rents or Claims.

Section 4.10 Limitation of Attorney's Liability

The Attorney shall not be liable or accountable for any failure to collect, realize, dispose of, enforce or otherwise deal with the Rents or Claims or any part thereof and shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Attorney, the Grantor or any other Person in respect of the Rents or Claims and shall not be liable or responsible for any loss or damage whatsoever which may accrue in consequence of the foregoing whether resulting from the negligence of the Attorney or any of its officers, servants, solicitors, attorneys, receivers or otherwise other than by way of their gross negligence or intentional fault.

Section 4.11 Financial Administration Act

Where any of the Claims having a value in excess of \$250,000 are subject to the provisions of the *Financial Administration Act* (Canada), the Grantor hereby sells, assigns and transfers the same absolutely to the Attorney so that, upon a withdrawal of authorization as referred to in Section 4.2 hereof, the Attorney shall be free to complete the formalities required to make such assignment fully enforceable.

**ARTICLE 5
ADDITIONAL PROVISIONS WITH RESPECT TO THE
HYPOTHEC ON SECURITIES**

Section 5.1 Representations and Warranties Regarding Securities

The Grantor hereby represents and warrants to and in favour of the Attorney that:

- (a) it is or will be the beneficial owner of record of the Securities listed in Schedule "C" hereof, if any, by good and valid title, free and clear of all Liens, subject to Permitted Liens;
- (b) it has and, with respect to Securities in which the Grantor will have an interest in the future, will have full power, authority and legal right to hypothecate and/or pledge all the Securities;
- (c) all of the Securities listed in Schedule "C", if any, have been, or will be upon their issuance, duly and validly issued, are or will be upon their issuance, fully paid and non-assessable and are and will be, upon their issuance, subject to no options to purchase or similar rights; and
- (d) other than Permitted Liens, it has not ceded, assigned, transferred and it will not cede, assign, transfer or set over its rights, interest and benefits in the Securities listed in Schedule "C", if any, to any Person nor has it performed any act or executed nor will it perform any act or execute any other instrument which might prevent the Attorney from exercising its rights under this Deed in respect of the hypothecated Securities or which would limit the Attorney in any such rights.

Section 5.2 Delivery of Securities

All certificates or instruments representing or evidencing the Securities of the Subsidiaries of the Grantor having their respective registered office located in the Province of Québec (other than the certificates evidencing the Securities of Gestion Mecachrome Inc. and Administration Mecachrome Inc.) shall be delivered (and, if such certificates or instruments are not in the possession of the Grantor on the date of execution of this Deed, as soon as the Grantor has possession of them and, in the case of the certificates evidencing the Securities listed in Schedule "C", on or prior to the Effective Date) to and held by the Attorney pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed undated instruments of transfer or assignment in blank, all in form and substance satisfactory to the Attorney.

Section 5.3 Distributions and Other Matters

The Attorney hereby authorizes the Grantor to manage and collect the dividends, cash, options, warrants, rights, instruments, distributions, returns of capital or principal, income, interest, profits and other property (debt or equity), proceeds, fruits and revenues (the "Distributions") from the Securities comprising the Charged Property, save and except as otherwise provided for under the terms of the Credit Agreement or the

terms hereof. Such authorization may nevertheless be withdrawn upon the occurrence and during the continuance of an Event of Default, whereupon the Attorney shall be free to collect such Distributions and apply such sums (net of all collection costs) in such manner as the Attorney shall deem appropriate, subject to the terms of the Credit Agreement, without any interference or consent on the part of the Grantor and without being bound (to the fullest extent permitted by law) by the rules respecting the administration of the property of others.

Section 5.4 Collection of Distributions by the Grantor

Any amount received by the Grantor with respect to the said Distributions after a withdrawal of authorization as aforesaid shall be deemed so received as mandatary or depository of the Attorney and shall forthwith be remitted to the Attorney without demand or notice, the whole without prejudice to the recourses of the Attorney against the third party debtors.

Section 5.5 Voting - Interpretation

As used in this Article 5, "voting rights" includes the right to attend and vote at any meeting, to sign a resolution in writing in lieu of a meeting or of a resolution passed at a meeting and the right to nominate and direct a proxy.

Section 5.6 Grantor to exercise voting rights, etc.

Until the occurrence of an Event of Default which is continuing, and subject to the terms of this Deed, the Grantor may:

- (a) exercise any and all voting rights and all rights of conversion, exchange or retraction or other similar rights with respect to any of the Securities, provided that any property arising from any such conversion, exchange or retraction shall form part of the Charged Property; and
- (b) receive any and all notices or other communications delivered in respect of the Securities.

Section 5.7 Attorney to exercise voting rights

The Grantor hereby grants to the Attorney, for the benefit of the Debentureholders, an irrevocable proxy to exercise all voting rights and corporate rights relating to the Securities which proxy shall be effective, at the discretion of the Attorney, upon the occurrence and during the continuance of an Event of Default. After the occurrence and during the continuance of an Event of Default and upon request of the Attorney, the Grantor hereby agrees to deliver to the Attorney such further evidence of such irrevocable proxy or such further irrevocable proxies to vote the Securities as the Attorney may reasonably request. In addition, after the

occurrence and during the continuance of an Event of Default, the Grantor agrees to deliver to the Attorney copy of any and all notices and other communications delivered in respect of the Securities.

**ARTICLE 6
REPRESENTATIONS AND WARRANTIES**

Section 6.1 Business or Firm Names

The Grantor uses no business or firm name other than its name appearing on the first page of this Deed.

Section 6.2 Domicile

The head office or domicile of the Grantor is located at the address appearing on the first page of this Deed.

Section 6.3 Warranty of Title.

The Grantor has no interest in, or title to, any immovable property in the Province of Québec.

The Grantor has no interest in, or title to, any Intellectual Property, except as set forth in Schedule "B" hereof.

The Grantor has no interest in, or title to, any Securities of Subsidiaries having their respective registered office located in the Province of Québec, except those as set forth in Schedule "C" hereof and except for Gestion Mecachrome Inc. and Administration Mecachrome Inc.

Section 6.4 Claims Subject to the *Financial Administration Act* (Canada)

The Grantor has no Claim falling under Section 4.11 hereof other than those indicated in Schedule "D" hereof.

Section 6.5 Claims Secured by Registered Hypothec

The Grantor has no Claim having a value in excess of \$250,000 and which is secured by registered hypothec, other than those indicated in Schedule "E" hereof.

**ARTICLE 7
COVENANTS**

The Grantor hereby covenants:

Section 7.1 Information

To give notice in writing to the Attorney within 15 days of any of the following events:

- (a) of any change whatsoever in any representations and warranties hereinabove mentioned in Article 6;
- (b) of the name of any surety (guarantor) which has guaranteed the payment of Claims and Contracts having a value in excess of \$250,000 and hypothecated hereby;
- (c) of the existence of any security, hypothec, prior claims or property right retained or assigned securing Claims having a value in excess of \$250,000 and, in such cases, to provide the Attorney, upon demand, with satisfactory proof that such security or hypothec has been registered or published in accordance with Applicable Law in order for the rights of the Attorney to be set up against third Persons;
- (d) of the existence and details of any new Claim falling under Section 4.11 hereof;
- (e) of the acquisition of any Immovable Property by the Grantor.

Section 7.2 Intellectual Property

- (a) To notify the Attorney immediately if it knows or has reason to know that any application or registration relating to any of the Grantor's Designs, Patents, Trademarks or Copyrights (now or hereafter existing) may become abandoned or of any adverse determination or development (including the institution of, or any adverse determination or development in, any proceeding in the Canadian Intellectual Property Office or the United States Patent and Trademark Office or the United States Copyright Office or any court) regarding the Grantor's ownership of any design, patent, trademark or copyright, its rights to register the same, or to keep and maintain the same, where any such abandonment or adverse determination or development, singly or in the aggregate, would result in a Material Adverse Effect.
- (b) To take all actions necessary or reasonably requested by the Attorney to maintain and pursue each application, to obtain the relevant registration and to maintain the registration of each of the Grantor's Designs, Patents, Trademarks and Copyrights (now or hereafter existing), including the filing of applications for renewal, affidavits or declarations of use, affidavits of non-contestability and opposition and interference and cancellation proceedings, except where the failure to take any such action would not, singly or in the aggregate, result in a Material Adverse Effect.
- (c) In the event that any of the Grantor's Design, Patent, Trademark or Copyright Charged Property is infringed upon,

or misappropriated or diluted by a third party, to notify the Attorney promptly after the Grantor learns thereof, except where any such infringement, misappropriation or dilution would not, singly or in the aggregate, result in a Material Adverse Effect. The Grantor shall, unless the Grantor shall reasonably determine that such Design, Patent, Trademark or Copyright Charged Property is in no way material to the conduct of its business or operations, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, if the Grantor reasonably determines that such suit would have a reasonable probability of success, and shall take such other actions as the Attorney shall reasonably deem appropriate under the circumstances to protect such Design, Patent, Trademark or Copyright Charged Property.

Section 7.3 Additional Documents

To execute all deeds and documents and do all things which in the reasonable opinion of the Attorney are necessary or advisable for the Hypothec constituted hereunder to have full effect and be constantly perfected in all jurisdictions where the Charged Property may be located (including a notice given in virtue of Article 2949 of the *Civil Code of Québec* where the Grantor's signature is necessary) in order to confer upon the Attorney, with respect to the Charged Property, all power and rights provided for by this Deed and by law.

**ARTICLE 8
DEFAULT**

The Grantor shall be in default hereunder without notice or any other formality and the security and hypothecary rights hereby constituted shall immediately become enforceable if the Grantor fails to pay on demand when due any principal, interest or other amount payable under the Debentures (an "Event of Default").

**ARTICLE 9
REMEDIES**

Section 9.1 Acceleration

Upon the occurrence and continuance of an Event of Default, the security created under this Deed shall become enforceable and the Attorney shall, in addition to any other rights, recourses and remedies it has under this Deed and otherwise at law, forthwith be entitled to exercise any and all hypothecary rights prescribed by the *Civil Code of Québec*.

Section 9.2 Agent

The Attorney may appoint any one or more agents who shall be entitled to perform the powers vested in the Attorney pursuant to this Deed and at law. Upon the appointment of an agent or agents from time to time, the following provisions shall apply:

- (a) that every such agent shall be the irrevocable agent and mandatory of the Grantor for the exercise of the rights, recourses and remedies available to the Attorney and which are performed by such agent;
- (b) that every such agent, in carrying out the duties delegated to it by the Attorney, shall be entitled to exercise all of the same rights, powers and discretions available to the Attorney hereunder or at law in respect of such matters;
- (c) that the agent shall be entitled to deduct reasonable remuneration out of the receipts from any part of the Charged Property;
- (d) that every such agent shall, so far as concerns responsibility for his acts or omissions, be deemed the agent and mandatory of, or employed or engaged by the Grantor and in no event the agent, mandatory or employee of the Attorney; and
- (e) that the appointment of every such agent by the Attorney shall not incur or create any liability on the part of the Attorney to the agent in any respect and such appointment or anything which may be done by any such agent or the removal of any agent or termination of any such appointment or engagement shall not have the effect of creating any liability of any nature whatsoever of any such agent towards the Grantor, except in case of gross negligence or intentional fault.

Section 9.3 Attorney's Right to Perform the Obligations

If the Grantor shall fail, refuse or neglect to make any payment or perform any act required hereunder, then while any Event of Default exists and continues, and without notice to or demand upon the Grantor and without waiving or releasing any other right, remedy or recourse the Attorney may have because of such Event of Default, the Attorney may (but shall not be obligated to) make such payment or perform such act for the account of and at the expense of the Grantor, and shall have the right to take all such action and undertake such expenditures as it may deem necessary or appropriate. If the Attorney shall elect to pay any sum due with reference to the Charged Property, the Attorney may do so in reliance on any bill, statement or assessment procured from the appropriate Governmental Authority or other issuer thereof without inquiring into the

accuracy or validity thereof. Similarly, in making any payments to protect the security intended to be created hereunder, the Attorney shall not be bound to inquire into the validity of any apparent or threatened adverse title, hypothec, encumbrance, claim or charge before making an advance for the purpose of preventing or removing the same. The Grantor shall indemnify the Attorney for all losses, reasonable expenses, damages, claims and causes of action, including reasonable legal fees (on a solicitor and client basis), incurred or accruing by reason of any acts performed by the Attorney pursuant to the provisions of this Section 9.3. All sums paid by the Attorney pursuant to this Section 9.3, and all other sums expended by the Attorney to which it shall be entitled to be indemnified, together with interest thereon at the rate hereinabove provided from the date of such payment or expenditure until paid, shall be added to the Obligations, shall be secured hereunder and shall be paid by the Grantor to the Attorney upon demand.

Section 9.4 Mise en demeure

Except as otherwise expressly herein provided, or in any other Loan Document, no notice or mise en demeure of any kind shall be required to be given to the Grantor by the Attorney for the purpose of putting the Grantor in default, the Grantor being in default by the mere lapse of time allowed for the performance of an Obligation or by the mere occurrence and continuance of an event constituting an Event of Default hereunder.

Section 9.5 Exercise of Recourses

In exercising any of the rights, recourses or remedies available hereunder, the Attorney may at its discretion, in respect of all or any part of the Charged Property or any other security held by the Attorney, exercise such rights, recourses and remedies as are available hereunder or at law, as it elects to exercise, without prejudicing the other rights, recourses and remedies available to the Attorney in respect of all or part of the Charged Property or any other security held by the Attorney. The Attorney may exercise any of such rights, recourses and remedies in respect of all or any part of the Charged Property (or any other security held by the Attorney), simultaneously or successively. It is further understood that the Attorney shall be entitled to exercise and enforce all of the rights and remedies available to it, free from any control of the Grantor provided, however, that the Attorney shall not be bound to realize any specific security nor exercise any right or remedy as aforesaid and shall not be liable for any loss which may be occasioned by any failure to do so, other than resulting from its gross negligence or intentional fault.

Section 9.6 Application of Proceeds

All moneys collected by the Attorney upon any sale or other disposition of the Charged Property, together with all other moneys

received by the Attorney hereunder, shall be applied in accordance with the terms of the Credit Agreement.

Section 9.7 Surrender

If a prior notice of the Attorney's intention to exercise a hypothecary right is given to the Grantor, the Grantor shall, and shall cause any other Person in possession of the Charged Property subject to such prior notice and then belonging to the Grantor, to immediately surrender same to the Attorney and shall execute, and cause to be executed, all deeds and documents required to evidence such surrender to the Attorney.

Section 9.8 Extension of Time and Waiver

Neither any extension of time given by the Attorney to the Grantor or any Person claiming through the Grantor, nor any amendment to this Deed or other dealing by the Attorney with a subsequent owner of the Charged Property will in any way affect or prejudice the rights of the Attorney against the Grantor or any other Person or Persons liable for payment of the Obligations. Subject to the provisions of the Credit Agreement, the Attorney may waive any Event of Default in its sole discretion. No waiver will extend to a subsequent Event of Default, whether or not such subsequent Event of Default is the same as or similar to the Event of Default waived, and no act or omission by the Attorney will extend to, or affect, any subsequent Event of Default or the rights of the Attorney arising from such Event of Default. Any such waiver must be in writing and signed by the Attorney. No failure on the part of the Attorney or the Grantor to exercise, and no delay by the Attorney or the Grantor in exercising, any right pursuant to this Deed will operate as a waiver of such right. No single or partial exercise of any such right will preclude any other or further exercise of such right.

**ARTICLE 10
ADDITIONAL RIGHTS OF THE ATTORNEY**

The Grantor agrees that upon the occurrence and during the continuance of an Event of Default, the following provisions shall apply to supplement the provisions of any applicable laws and without limiting any other provisions of this Deed or of any other Loan Documents dealing with the same subject matter:

- (a) The Attorney shall be the irrevocable mandatary and agent of the Grantor, with power of substitution, in respect of all matters relating to the enforcement of all rights, recourses and remedies of the Attorney. The Attorney shall, as regards all of the powers, authorities and discretions vested in it hereunder, have the absolute and unfettered discretion as to the exercise thereof whether in relation to the manner or as to the mode or time for their exercise.

- (b) Without limiting the generality of paragraph (a) hereinabove, the Grantor agrees that the Attorney may, but is not obliged to, at the expense of the Grantor, for the purposes of protecting or realizing upon the value of the Charged Property or its rights:
- (i) cease or proceed with, in any way the Attorney sees fit, any enterprise of the Grantor, and the administration of the Charged Property, including, without limitation, the generality of the foregoing:
 - (A) sign any loan agreement, security document, lease, service contract, construction contract, management contract, development contract, maintenance contract or any other agreement, contract, deed or other document in the name of and on behalf of the Grantor in connection with the Charged Property or any enterprise operated by or on behalf of the Grantor and renew, cancel or amend from time to time any such agreement, contract, deed or other document;
 - (B) maintain, repair, renovate, operate, alter, complete, preserve or extend any part of the Charged Property in the name of the Grantor including undertaking or completing any construction work at the Grantor's expense;
 - (C) consent to or terminate in the name of the Grantor any servitude or other real right affecting the Charged Property;
 - (D) reimburse for and on behalf of the Grantor any third person having a claim against any part of the Charged Property;
 - (E) borrow money or lend its own funds for any purposes related to the Charged Property; and
 - (F) receive the revenues, rents, fruits, products and profits from the Charged Property and endorse any cheque, securities or other instrument;
 - (ii) dispose of any part of the Charged Property likely to rapidly depreciate or decrease in value;

- (iii) use the information it has concerning the Grantor or any information obtained during the exercise of its rights;
 - (iv) fulfil any of the undertakings of the Grantor or of any other Person;
 - (v) use, administer and exercise any other right pertaining to the Charged Property; and
 - (vi) do all such other things and sign all documents in the name of the Grantor as the Attorney may deem necessary or useful for the purposes of exercising its rights, recourses and remedies hereunder, under the other Loan Documents or any of them or at law.
- (c) In the event of the exercise by the Attorney of any right, recourse or remedy following the occurrence and during the continuance of an Event of Default:
- (i) the Attorney shall only be accountable to the Grantor to the extent of its commercial practice and within the delays normally observed by the Attorney and the Attorney shall not be obliged to, with respect to the Charged Property or any enterprise operated by or on behalf of the Grantor:
 - (A) make inventory, take out insurance or furnish any security;
 - (B) advance any sums of money in order to pay any expenses, not even those expenses that may be necessary or useful; or
 - (C) maintain the use for which the enterprise of the Grantor is normally intended, make it productive or continue its use;and shall not be held liable for any loss whatsoever other than as a result of its gross negligence or intentional fault;
 - (ii) subject to the provisions of Section 9.6 hereof, any and all sums of money remitted to or held by the Attorney may be invested at its discretion, without the Attorney being bound by any legislative provisions relating to the investment or administration of the property of others; the Attorney is not obliged to invest or pay interest on amounts

- collected even where such amounts exceed the amounts due by the Grantor;
- (iii) the Attorney may itself, directly or indirectly, become the owner of the whole or any part of the Charged Property to the extent not prohibited by law;
 - (iv) the Attorney may, at the time it exercises its rights, renounce to a right belonging to the Grantor, make settlements and grant discharges and mainlevées, even without consideration;
 - (v) in the event the Attorney exercises its hypothecary right of taking in payment and the Grantor requires the Attorney to sell the whole or any part of the Charged Property, the Grantor acknowledges that the Attorney shall not be required to renounce to its hypothecary right of taking in payment unless, prior to the expiration of the time limit to surrender, the Attorney (i) shall have received security, which the Attorney deems satisfactory, to the effect that the sale will be made at a price sufficient to enable the Attorney to be paid its claim in full, (ii) shall have been reimbursed the costs it shall have incurred, and (iii) shall have been advanced all amounts necessary for the sale of the Charged Property;
 - (vi) in the event that the Attorney sells the whole or any part of the Charged Property, it will not be required to obtain any prior appraisal from a third party; and
 - (vii) the sale of the Charged Property may be made with legal warranty on the part of the Grantor or, at the option of the Attorney, with total or partial exclusion of warranty.
- (d) The Attorney shall only be bound to exercise reasonable prudence and diligence in the execution of its rights and performance of its obligations under the terms of this Deed or at law and the Attorney shall not be responsible for prejudice that may result from its fault or that of its agents or representatives, except if resulting from gross negligence or intentional fault.
- (e) The Attorney shall not be responsible in respect of any obligations undertaken in the exercise of its powers under the terms of this Deed or at law, or by reason of any delay, omission or any other act made in good faith by the Attorney or its representatives with the exception of obligations

undertaken or acts made further to gross negligence or intentional fault.

**ARTICLE 11
THE ATTORNEY**

Section 11.1 Acting as the Person Holding the Power of Attorney

The Attorney shall hold the Hypothec granted pursuant to this Deed for the benefit of the Debentureholders and shall act as "*fondé de pouvoir*" of the Debentureholders within the meaning of Article 2692 of the *Civil Code of Québec*. The Grantor hereby appoints the Attorney to act as such "*fondé de pouvoir*" in accordance with the terms hereof and undertakes to pay the Attorney's reasonable fees related hereto.

Section 11.2 Subsequent Holders of Debentures

Any Person who becomes a Debentureholder shall benefit from the provisions hereof and the appointment of the Attorney as "*fondé de pouvoir*" for the Debentureholders and, upon becoming a Debentureholder, irrevocably authorizes the Attorney to perform such function. Each Holder of a Debenture, by its acceptance thereof (i) acknowledges that the first issue of a Debenture has been or may be purchased from the Grantor by the Attorney, by underwriting, purchase, subscription or otherwise, and (ii) waives any right it may have under Section 32 of *An Act respecting the special powers of legal persons* (Québec).

Section 11.3 Protection of Persons Dealing with Attorney

No person dealing with the Attorney or its agents need inquire whether the Hypothec hereby constituted has become enforceable or whether the powers which the Attorney is purporting to exercise have become exercisable.

Section 11.4 Delegation of Powers

The Attorney may delegate the exercise of its rights or the performance of its obligations hereunder to another Person, including a Debentureholder. In that event, the Attorney may furnish that Person with any information it may have concerning the Grantor or the Charged Property. The Attorney shall not be responsible for damages resulting from such delegation or from any fault committed by such delegate, other than resulting from the gross negligence or intentional fault of such delegate.

Section 11.5 Possession or Production of Debentures not Required

The Attorney may exercise all of its rights hereunder without possession of the Debentures and without having to produce same in support of any judicial proceeding or trial in connection therewith.

Section 11.6 Resignation and Removal of Attorney

The Attorney may at any time resign hereunder upon notice in writing to the Grantor and to the Debentureholders; the Grantor and the Debentureholders may then appoint a new "*fondé de pouvoir*". The Debentureholders may also remove the Attorney and appoint a new "*fondé de pouvoir*" in its place and stead, upon notice in writing to the Attorney and to the Grantor. Such new "*fondé de pouvoir*", without further act, shall be vested with and have the rights and powers granted to the Attorney hereunder and shall be subject in all respects to the conditions and provisions hereof.

Section 11.7 Liability of Attorney

The Attorney shall only be accountable for reasonable diligence in the performance of its duties and the exercise of its rights hereunder, and shall only be liable for its own gross negligence and intentional fault.

Section 11.8 Unfettered Discretion to Exercise Powers

The Attorney, except as herein otherwise provided, shall, with respect to all rights, powers and authorities vested in it, have absolute and uncontrolled discretion as to the exercise thereof, whether in relation to the manner or as to the mode and time for the exercise thereof, and in the absence of fraud, gross negligence or intentional fault it shall be in no way responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise thereof.

Section 11.9 Attorney not Required to Act and Limitation of Attorney's Liability in Acting

The Attorney shall have the rights in its discretion to proceed in its name as the person holding the power of attorney (*fondé de pouvoir*) hereunder to the enforcement of the security hereby constituted by any remedy provided by law, whether by legal proceedings or otherwise but it shall not be bound to do or to take any act or action in virtue of the powers conferred on it by these presents unless and until it shall have been required to do so by way of an instrument signed by the Debentureholders; the Attorney shall not be responsible or liable, otherwise than as the person holding the power of attorney (*fondé de pouvoir*), for any debts contracted by it, for damages to persons or property or for salaries or non-fulfilment of contracts during any period for which the Attorney shall take possession of the Charged Property pursuant to law, nor shall the Attorney be liable to account for anything except actual revenues or be liable for any loss on realization or for any default or omission for which a hypothecary creditor might be liable; the obligation of the Attorney to commence or continue any act, action or proceeding under this Deed shall, at the option of the Attorney, be conditional upon the Debentureholders furnishing, when

required, sufficient funds to commence or continue such action or proceeding and indemnity reasonably satisfactory to the Attorney.

Section 11.10 Obligation to Act on Instructions of Debentureholders

The Attorney shall be obliged to act and shall act and be fully protected in acting pursuant to the written instructions of the Debentureholders in connection with any proceedings, act, power, right, matter or thing relating to or conferred by or to be done under this Deed.

**ARTICLE 12
MISCELLANEOUS**

Section 12.1 Separate Security

This Deed and the Hypothec created herein, are and shall be in addition to and not in substitution for, any other security held by the Attorney, the Debentureholders or any one thereof for the fulfilment of the Obligations and shall thus not operate as a novation of any Obligation of the Grantor towards the Attorney, the Debentureholders or any one thereof.

Section 12.2 Notice

Any notice or other communication, including a demand or a direction, required or permitted to be given hereunder shall be in writing and shall be made in accordance with the terms of the Credit Agreement.

Notwithstanding the foregoing, if the *Civil Code of Québec* requires that a notice or other communication be given in a specified manner, then any such notice or communication shall be given in such manner.

Section 12.3 General Indemnity

In any suit, proceeding or action brought by the Attorney relating to any Charged Property for any sum owing with respect thereto or to enforce any rights or claims with respect thereto, the Grantor will save, indemnify and keep the Attorney harmless from and against all expense (including reasonable legal fees and expenses), loss or damage suffered by reason of any defence, set-off, counterclaim, recoupment or reduction of liability whatsoever of the account debtor or other Person obligated on the Charged Property, arising out of a breach by the Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to, or in favour of, such obligor or its successors from the Grantor, except to the extent such expense, loss, or damage is attributable solely to the gross negligence or intentional fault of the Attorney as finally determined by a court of competent jurisdiction. All such obligations of Grantor shall be and remain enforceable against and only against the Grantor and shall not be enforceable against the Attorney. This indemnification provision shall survive the termination of this Deed and the fulfilment of the Obligations.

Section 12.4 Amendments and Waivers

No amendment or waiver of any provision hereof shall be effective unless in writing and signed by the party against whom enforcement is sought.

Section 12.5 Waivers

No course of dealing on the part of the Attorney, its officers, employees, consultants or agents, nor any failure or delay by the Attorney with respect to exercising any right, power or privilege of the Attorney under any of the Loan Documents, shall operate as a waiver thereof.

Section 12.6 Payment to Third Parties

If the Attorney is at any time or from time to time required to make a payment in connection with the security constituted by this Deed, such payment and all reasonable costs of the Attorney (including legal fees and other expenses) shall be immediately payable by the Grantor to the Attorney and shall bear interest at the rate provided in the Credit Agreement.

Section 12.7 Indivisibility

Every divisible obligation in favour of the Attorney arising out of this Deed must be performed in its entirety by each heir or legal representative of any Person who is liable to the same extent as if it were indivisible.

Section 12.8 Time

Time is and shall be of the essence in the performance of the parties' respective obligations.

Section 12.9 Paramountcy

In the event there is a conflict, inconsistency, ambiguity or difference between any provision of this Deed and the Credit Agreement, the provisions of the Credit Agreement shall prevail and this Deed shall be deemed to be amended to the extent necessary to eliminate such conflict, inconsistency, ambiguity or difference, save and except in respect of the provisions of this Deed which relate to the creation and enforcement of the Hypothec hereby constituted, which provisions shall govern and prevail over the provisions of the Credit Agreement. The fact that one agreement addresses a subject matter that is not addressed in the other agreement and the fact that any right, remedy or recourse in this Deed may be in addition to the rights, remedies or recourses contained in the Credit Agreement shall not constitute a conflict, inconsistency, ambiguity or difference.

Section 12.10 Governing Law

This Deed shall be governed by and construed in accordance with the laws of the Province of Québec and the applicable laws of Canada and the Grantor and the Attorney hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Québec. It must also be interpreted so that any Charged Property located in another jurisdiction be affected by a valid security under the applicable law of such other jurisdiction.

Section 12.11 Language

The parties hereto confirm that they have requested that this Deed and all related documents be drafted in English. *Les parties aux présentes ont exigé que le présent acte et tous les documents connexes soient rédigés en anglais.*

**ARTICLE 13
SCHEDULES**

Section 13.1 Schedule "A"

The following is Schedule "A" referred to in this Deed:

DEBENTURE

**CANADA
PROVINCE OF QUÉBEC**

**No.: ●
Cdn\$●**

●, a ● governed by the laws of ● (the "●"), for value received, promises to pay, on demand, to ●, as Agent (as defined in the Deed of Hypothec hereinafter described) or to its order, at its office located at ●, the sum of ● Dollars (\$●), in lawful money of Canada, with interest thereon from the date hereof at the rate of twenty-five percent (25%) per annum, both before and after maturity, with interest on overdue interest at the same rate.

This Debenture is issued under and secured by a deed of hypothec and issue of debentures (as same may be amended, restated, supplemented or otherwise modified from time to time, the "Deed of Hypothec") bearing the date of ●, 200●, executed by the ● in favour of ●, as *fondé de pouvoir* for the holder of this Debenture and the other Debentureholders (as defined in the Deed of Hypothec), before Notary ● on ●, 200●, and this Debenture is subject to, and its holder is bound by, the provisions of the Deed of Hypothec. This Debenture is also subject to the terms and conditions of a pledge of debenture bearing the date of ●, 200●, executed by the ● in favour of the Agent and the Pledgees (as defined therein).

This Debenture may be transferred by its holder only in accordance with the provisions of the Deed of Hypothec.

This Debenture is governed by the laws applicable in the Province of Québec.

IN WITNESS WHEREOF the ● has caused this Debenture to be signed by its undersigned representative and to be dated the ● day of ●, 200●.

●

By: _____
Duly authorized representative

FORM OF TRANSFER

For value received, _____, by these presents
cedes and transfers to _____ the Debenture
represented by this certificate with full power of substitution, as well as its
rights in the principal amount and outstanding interest on the said
Debenture and irrevocably appoints _____
as its attorney to complete the transfer on the books of
_____ maintained by the Attorney pursuant to the
Deed of Hypothec.

Dated this _____ day of _____, 200 ____.

SIGNED BY TRANSFEROR

By: _____

Witness

Section 13.2 Schedule "B"

The following is Schedule "B" referred to in this Deed:

INTELLECTUAL PROPERTY

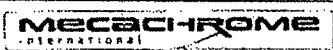
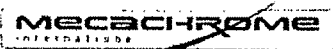


REGISTERED INTELLECTUAL PROPERTY

Canada

A. Patents and Patent Applications

Nil.

B. Trade-Mark Registrations and Applications

Trade-mark	Application No.	Status
M.E.C.	1221574	Opposed
 MECACHROME INTERNATIONAL ET DESSIN	1208921	Allowed
 MECACHROME INTERNATIONAL ET DESSIN	1208920	Allowed
 MECACHROME INTERNATIONAL ET DESSIN	1208919	Allowed
 MECACHROME INTERNATIONAL ET DESSIN	1207978	Allowed
MECACHROME	1163578	Allowed

C. Copyright Registrations and Applications

Nil.

D. Industrial Design Registrations and Applications



Nil.



United States of America

A. Patents and Patent Applications

Nil.

B. Trade-Mark Registrations and Applications

Trade-mark	Application No.	Status
M.E.C.	78/650227	Priority Action Mailed
MECACHROME INTERNATIONAL	76/580588	A request for an extension of time to file an opposition has been filed at the Trademark Trial and Appeal Board
M.E.C.	76/602633	An office action with a suspension inquiry has been mailed
 Mecachrome International	76/580587	An office action with a suspension inquiry has been mailed
 Mechachrome International	76/580586	An office action with a suspension inquiry has been made

Trade-mark	Application No.	Status
 Mechachrome International	76/580585	An office action with a suspension inquiry has been mailed
 Mechachrome International	76/580584	An office action with a suspension inquiry has been mailed

C. Copyright Registrations and Applications

Nil.

D. Design Patents and Applications

Nil.

Section 13.3 Schedule "C"

The following is Schedule "C" referred to in this Deed:

SECURITIES

4,505,617 Class A Shares held by the Grantor in Groupe Mecachrome Canada Inc. and evidenced by share certificate A-4.

Section 13.4 Schedule "D"

The following is Schedule "D" referred to in this Deed:

**CLAIMS SUBJECT TO THE *FINANCIAL ADMINISTRATION ACT*
(CANADA)**

Nil.

Section 13.5 Schedule "E"

The following is Schedule "E" referred to in this Deed:

CLAIMS SECURED BY REGISTERED HYPOTHEC

Nil.

WHEREOF ACTE:

DONE AND PASSED in the City of Montréal, Province of Québec, on the date hereinabove set forth, and remaining of record in the office of the undersigned Notary under minute number ONE HUNDRED AND NINE (109).

AND after the parties had declared to the said Notary to have taken cognizance of these presents and to have exempted the said Notary from reading them or causing them to be read, the said duly authorized officers of the Grantor and the Attorney respectively have signed these presents, all in the presence of the said Notary who has also signed.

ROYAL BANK OF CANADA

By: *Amel Romane*

MECACHROME INTERNATIONAL INC.

By: *[Signature]*

[Signature]
Sabrina DESGAGNE, Notary

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

[Signature]

109
109
109

Minute Number: **109**

Date : May 11, 2006

Mire Sabrina Desgagné, Notary

DEED OF HYPOTHEC

by

MECACHROME INTERNATIONAL INC.

in favour of

ROYAL BANK OF CANADA

CERTIFIED COPY

COPIE AUTHENTIQUE

des MeGill Collège, Suite 2215,
Montreal, Quebec H3B 4C7
Téléphone: (514) 375-3111