

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
2473304 ONTARIO INC.**

(the "Applicant")

**APPLICATION RECORD
VOLUME 2 OF 3
(Returnable June 7, 2016)**

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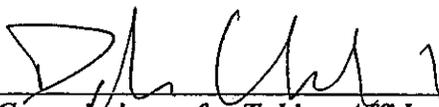
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Tab D

THIS IS EXHIBIT "D"
referred to in the Affidavit of
Mark Sun sworn before me this
6th day of June 2016


A Commissioner for Taking Affidavits
Dylan Choche

FORBEARANCE AGREEMENT

AMONG

**GRAFTON-FRASER INC. AND 2473304 ONTARIO INC.,
as Borrowers**

– and –

**CANADIAN IMPERIAL BANK OF COMMERCE,
as the Lender and as the Agent**

DATED AS OF JUNE 6, 2016

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FORBEARANCE AGREEMENT

THIS AGREEMENT is dated as of June 6, 2016.

AMONG:

GRAFTON-FRASER INC. and 2473304
ONTARIO INC. (each as Borrowers and
Guarantors)

- and -

CANADIAN IMPERIAL BANK OF
COMMERCE
(as the Lender and as the Agent)

CONTEXT:

- A. The Agent and the Lender have provided certain financing arrangements under a Credit Agreement dated as of February 12, 2016 among the Agent, the Lender, and Grafton-Fraser Inc. ("**Grafton-Fraser**") and 2473304 Ontario Inc. ("**2473304**"), as borrowers (as amended, restated or replaced, from time to time to the date hereof, the "**Existing Credit Agreement**").
- B. As of the date of this Agreement, the Borrowers are in default under the Existing Credit Agreement and the other Loan Documents, which default constitutes one or more events of default thereunder as stipulated in the letter from the Agent to the Borrowers dated April 21, 2016 (the "**Reservation of Rights Letter**");
- C. 2473304 is applying to the Ontario Superior Court of Justice (Commercial List) (the "**CCAA Court**") for an initial order (as amended, restated, supplemented or otherwise modified from time to time, the "**Initial Order**") under the *Companies' Creditors Arrangement Act (Canada)* (the "**CCAA**") on or about June 7, 2016 (the "**CCAA Filing Date**") (the "**CCAA Proceedings**"), and the Obligors have requested the ongoing support of the Agent and the Lender during the CCAA Proceedings. The primary purpose of the CCAA Proceedings is to give effect to a transaction for the orderly liquidation of the assets and undertaking of 2473304, the closing of stores of 2473304 and the orderly distribution of the proceeds thereof, pursuant to and resulting from a sale and investment solicitation process, as more fully described hereinbelow (the "**SISP**").
- D. 2473304 has concluded that the Agent and the Lender are the most cost effective and timely source of working capital funds that is available and appropriate in the circumstances for 2473304 in the CCAA Proceedings, and Grafton-Fraser as a co-borrower with, and guarantor of the Obligations of, 2473304 under the Existing Credit Agreement is supportive of such funding during the course of the CCAA Proceedings.

- E. The Borrowers have requested that the Agent and the Lender continue to make available to the Borrowers certain credit facilities to meet their working capital requirements during the CCAA Proceedings of 2473304 and to forbear from exercising the Agent's and Lender's rights as a result of the Existing Defaults and the commencement and existence of the CCAA Proceedings, and that the Agent and the Lender extend credit and make advances (collectively, the "Loans") to the Borrowers despite those Existing Defaults in order to support the ongoing working capital needs of Grafton-Fraser and 2473304 and, in particular, to permit 2473304 to give effect to the SISF.
- F. The Term Administrative Agent and the lenders under the Term Loan Agreement have agreed to forbear from exercising their respective rights and remedies under the Term Loan Agreement and security and other documents relating thereto, as amended by a forbearance agreement of even date herewith in the form attached as Schedule 7 hereto being entered into contemporaneously with the execution and delivery hereof (the "Term Forbearance Agreement").
- G. The Agent and the Lender are willing to forbear from exercising their rights and remedies and to provide certain Loans to the Borrowers during the Forbearance Period on the terms and conditions set out in this Agreement.

THEREFORE, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Credit Agreement Definitions

Each capitalized term used and not otherwise defined in this Agreement will have the meaning assigned to it in the Existing Credit Agreement.

1.2 Other Definitions

In this Agreement the following terms have the following meanings:

1.2.1 "Accrued Statutory Claims" is defined in Section 2.3.10.

1.2.2 "Additional Default" means: (i) an Obligor's default or failure to comply with any of the terms, conditions or covenants under this Agreement, or (ii) a Default by 2473304 or an Event of Default of an Obligor (other than the Existing Defaults) under the Credit Agreement or any other Loan Document prior to or on or after the date of this Agreement.

- 1.2.3 "Agency Agreement" means that certain agency agreement to be entered into by 2473304 and GA Retail Canada, ULC providing for the conduct of a liquidation or stores closing sale and other matters contemplated therein, approved by Order of the CCAA Court.
- 1.2.4 "Agreement" means this agreement, including all Schedules and Exhibits, as it may be modified, amended, revised, restated, replaced, supplemented or otherwise changed from time to time and at any time hereafter, in writing, by the Parties.
- 1.2.5 "Anticipated Defaults" means any Events of Default arising or caused solely as a result of (i) the commencement or continuation of the CCAA Proceedings or any acknowledgement of insolvency made in connection therewith, and (ii) the SISP.
- 1.2.6 "Approved CCAA Cash Flow" means the approved CCAA cash flow forecast of 2473304 as attached as Schedule 2 hereto, as such forecast may be amended, supplemented or replaced from time to time and at any time in accordance with the provisions of this Agreement and in form and substance acceptable to the Agent and the Lender.
- 1.2.7 "BIA" means the *Bankruptcy and Insolvency Act* (Canada).
- 1.2.8 "CCAA" is defined under "Context", above.
- 1.2.9 "CCAA Court" means the Ontario Superior Court of Justice (Commercial List).
- 1.2.10 "CCAA Filing Date" is defined under "Context" above.
- 1.2.11 "CCAA Proceedings" is defined under "Context" above.
- 1.2.12 "Claims" and "Claim" are defined in Section 8.3.1.
- 1.2.13 "Communication" means any notice, demand, request, consent, approval or other communication, which is required or permitted by this Agreement to be given or made by a Party.
- 1.2.14 "Consultant" is defined in Section 2.3.7.
- 1.2.15 "Credit Agreement" means the Existing Credit Agreement as modified and amended by this Agreement and as may be further modified, amended, revised, restated, replaced, supplemented or otherwise changed from time to time and at any time hereafter, in writing, by the Parties.
- 1.2.16 "DIP Priority Charge" is defined in Section 7.1.1.5.2.
- 1.2.17 "Existing Credit Agreement" is defined under "Context" above.

- 1.2.18 "Existing Defaults" means the Defaults or Events of Default under the Existing Credit Agreement set out in the Reservation of Rights Letter and as specified in Schedule 6 attached hereto, and the Anticipated Defaults.
- 1.2.19 "Existing Indebtedness" means the outstanding Obligations existing as at the date hereof as more particularly described in Section 2.1 and Schedule 1.
- 1.2.20 "Existing Security" is defined in Section 2.4.
- 1.2.21 "Forbearance Period" is defined in Section 3.1.1.
- 1.2.22 "GFI Cash Flow" means the cash flow forecast of Grafton-Fraser approved by the Agent and the Lender as attached as Schedule 5 hereto, as such forecast may be amended, supplemented or replaced from time to time and at any time in accordance with the provisions of this Agreement and in form and substance acceptable to the Agent and the Lender.
- 1.2.23 "Initial Order" is defined in the "Context" above.
- 1.2.24 "Loan Documents" has the meaning given thereto in the Credit Agreement and includes, without limitation, this Agreement.
- 1.2.25 "Loans" is defined under "Context" above.
- 1.2.26 "Monitor" is defined in Section 2.3.8.
- 1.2.27 "Non-Lender Accounts" is defined in Section 4.1.5.
- 1.2.28 "Obligors" or "Obligor" means the Borrowers or any of them.
- 1.2.29 "Parties" means, collectively, the Obligors, the Agent and the Lender; and "Party" means any one of them.
- 1.2.30 "Releasees" and "Releasee" are defined in Section 8.3.1.
- 1.2.31 "Reservation of Rights Letter" is defined under "Context" above.
- 1.2.32 "SISP" is defined under "Context" above.
- 1.2.33 "Term Forbearance Agreement" is defined under "Context" above.
- 1.2.34 "Terminating Event" is defined in Section 6.5.
- 1.2.35 "Termination Date" is defined in Section 5.3.1.

1.3 **Entire Agreement**

This Agreement, together with the Existing Credit Agreement and the other Loan Documents and the other agreements and documents to be delivered under this Agreement, constitute the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, and there are no representations, warranties or other agreements between the Parties in connection with the subject matter of this Agreement except as specifically set out in this Agreement, the Existing Credit Agreement, the other Loan Documents or the other agreements and documents delivered under this Agreement.

1.4 **Business Day**

Whenever any payment to be made or action to be taken under this Agreement is required to be made or taken on a day other than a Business Day, the payment is to be made or action taken on the next Business Day following.

1.5 **Certain Rules of Interpretation**

1.5.1 In this Agreement, words signifying the singular number include the plural and vice versa, and words signifying gender include all genders. Every use of the word "including" in this Agreement is to be construed as meaning "including, without limitation".

1.5.2 The division of this Agreement into Articles and Sections, the insertion of headings and the provision of a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement.

1.5.3 References in this Agreement to an Article, Section, Schedule or Exhibit are to be construed as references to an Article, Section, Schedule or Exhibit of or to this Agreement unless the context requires otherwise.

1.5.4 Unless otherwise specified in this Agreement, time periods within which or following which any payment is to be made or act is to be done will be calculated by excluding the day on which the period commences and including the day on which the period ends. If the last day of a time period is not a Business Day, the time period will end on the next Business Day.

1.5.5 Unless otherwise specified, any reference in this Agreement to any (a) statute includes all regulations made under that statute, and is to be construed as a reference to that statute as amended, supplemented or replaced from time to time, and (b) to any agreement means such agreement as amended, supplemented, restated, or replaced subject to compliance with any restrictions thereon in the Loan Documents.

1.5.6 Unless otherwise specified, the word "dollar" and the "\$" sign refer to Canadian currency, and all amounts to be advanced, paid, tendered or calculated under this Agreement are to be advanced, paid, tendered or calculated in Canadian currency.

1.6 Schedules and Exhibits

The following is a list of the Schedules and Exhibits attached hereto:

Schedule	Subject Matter	Section Reference
Schedule 1	Existing Indebtedness	1.2.19
Schedule 2	Approved CCAA Cash Flow	1.2.6
Schedule 3	Existing Security	1.2.20
Schedule 4	Non-Lender Accounts	1.2.27
Schedule 5	GFI Cash Flow	1.2.22
Schedule 6	Existing Defaults	1.2.18
Schedule 7	Form of Term Forbearance Agreement	1.2.33
Schedule 8	Minimum Receipt and Maximum Disbursement Covenant Levels	6.5.2

ARTICLE 2 ACKNOWLEDGMENT

2.1 Acknowledgement of Obligations

Each Obligor confirms, acknowledges and agrees that the Existing Indebtedness as of the date of this Agreement is as set out in Schedule 1 attached hereto.

2.2 Continuing Effect of Amendments

The Parties hereto each acknowledge, confirm and agree that the Existing Credit Agreement remains in full force and effect as at the date hereof, except as specifically amended by this Agreement. The Existing Credit Agreement shall henceforth be read and construed in conjunction with this Agreement.

2.3 Other Confirmations and Acknowledgements

Each Obligor confirms, acknowledges and agrees that:

- 2.3.1 each of the recitals in the "Context" is true and correct;
- 2.3.2 it has received the Reservation of Rights Letter and, subject to Section 3.1 of this Agreement, all of the Existing Indebtedness is now payable upon demand by the Agent and that the Agent has the presently exercisable right to demand immediate payment from the Obligors of the outstanding Obligations and to immediately terminate the credit facilities provided under the Existing Credit Agreement (the "Credit Facilities");
- 2.3.3 the Existing Defaults (other than the Anticipated Defaults) have occurred and are continuing and, as of the date of this Agreement, no Default or Event of Default, other than the Existing Defaults (other than the Anticipated Defaults), exists under the Existing Credit Agreement or any other Loan Document;
- 2.3.4 the Agent and the Lender have not waived the Existing Defaults and nothing contained in this Agreement or the transactions contemplated by this Agreement will be deemed to constitute any such waiver, and the Obligors acknowledge, confirm and agree that notwithstanding any provision of the Credit Agreement to the contrary, the Agent and the Lender shall be under no obligation to continue the Commitment to Grafton-Fraser following the Forbearance Period;
- 2.3.5 interest and fees continue to accrue on the Existing Indebtedness under the Existing Credit Agreement and the other Loan Documents in accordance with the Existing Credit Agreement and the other Loan Documents and, subject to Section 3.3.3 of this Agreement, at the rates applicable to the Existing Indebtedness;
- 2.3.6 each Obligor consents to the immediate enforcement of all or any part of the rights and remedies accorded to the Agent and the Lender under the Existing Credit Agreement and the other Loan Documents and Applicable Law in any manner determined by the Agent and the Lender (including, without limitation, the immediate appointment of a receiver, interim receiver or receiver and manager) upon the expiry of the Forbearance Period;
- 2.3.7 Richter Consulting Canada Inc. (the "Consultant") has been retained by, or on behalf of, 2473304, and has been appointed as the financial consultant to 2473304 in respect of, *inter alia*, this Agreement, the Credit Agreement, the other Loan Documents and the outstanding Obligations and the Agent is entitled to appoint any other consultants, in addition to the Consultant, as the Agent may require at the cost of the Obligors;
- 2.3.8 Richter Advisory Group Inc. (the "Monitor") is the proposed monitor under the Initial Order in the CCAA Proceedings and has consented to act in such capacity;

- 2.3.9 each Obligor will grant all access and provide, on reasonable notice during regular business hours, all information and documentation to, and will otherwise cooperate fully with the Agent and the Lender, and pay all reasonable fees and disbursements of each consultant appointed by the Agent as the Agent may require, and pay, in accordance with the Approved CCAA Cash Flow and the GFI Cash Flow, as the case may be, all reasonable fees and disbursements of the Monitor and the Monitor's counsel. 2473304 will also cause the Consultant to grant full access and provide all information and documentation to, and to otherwise co-operate fully with, the Agent and the Lender. All such information and documentation provided to the Agent and the Lender shall be subject to Section 9.12 of the Credit Agreement;
- 2.3.10 except for obligations in respect of accrued unpaid sales taxes not to exceed \$175,000 and accruing employee related obligations to employees, including wages and vacation pay, not yet due not to exceed \$300,000 (collectively, the "Accrued Statutory Claims"), as at the CCAA Filing Date, 2473304 has paid or caused to be paid and satisfied when due all amounts in respect of income taxes, provincial sales taxes, GST, HST, employee payroll remittances, and other obligations which have or may constitute a Priority Payable;
- 2.3.11 the Agent has and will continue to have valid, enforceable and perfected first ranking Liens, subject to Permitted Liens over and in respect of the GFI Collateral granted to or held by the Agent from time to time as continuing and collateral security for the payment and performance of the Obligations of all Credit Parties, and all other amounts owing from time to time by the Credit Parties under this Agreement, the Credit Agreement and the other Loan Documents;
- 2.3.12 the Agent has and will continue to have valid, enforceable and perfected first ranking Liens, subject to Permitted Liens over and in respect of the 2473304 Collateral granted to or held by the Agent from time to time as continuing and collateral security for the Obligations and all other amounts owing from time to time under this Agreement, the Credit Agreement and the other Loan Documents, subject to: (i) any Accrued Statutory Claims which have or may have priority over such Agent's Liens; and (ii) any court-ordered charge(s) approved by the Agent and the Lender and granted by the CCAA Court in the CCAA Proceedings, which may have priority over such Agent's Liens;
- 2.3.13 the Existing Credit Agreement, the other Loan Documents to which each Obligor is party and this Agreement are in full force and effect and constitute legal, valid and binding obligations of each Obligor, enforceable against each such Obligor in accordance with their respective terms;
- 2.3.14 the Obligors do not have any valid claim for set-off, counter-claim, damages or other defence on any basis whatsoever against the Agent and the Lender and if there are any such claims, then each Obligor hereby expressly waives and releases them to the fullest extent permitted under Applicable Law;

- 2.3.15 the Agent and the Lender are and will be entitled to the rights, remedies and benefits provided for in this Agreement, the Credit Agreement and the other Loan Documents subject to Applicable Law;
- 2.3.16 Permitted Term Debt owing by the Obligors as at May 20, 2016 is in an aggregate amount of \$33,024,000 (inclusive of accrued interest as at such date);
- 2.3.17 the Approved CCAA Cash Flow and the GFI Cash Flow existing as at the date hereof each covers the period from May 28, 2016 to January 28, 2017; and
- 2.3.18 this Agreement constitutes a Loan Document for all purposes of the Existing Credit Agreement and the other Loan Documents.

2.4 **Security**

The Obligors acknowledge and agree that the Security Documents delivered to, and Liens granted therein to, the Agent (including, without limitation, each Guarantee delivered by each such Obligor) as listed in Schedule 3 attached hereto (collectively, the "Existing Security") shall stand as security for the payment and performance of each and every one of the Obligors' obligations and indebtedness to the Agent and the Lender including without limitation, the Borrowings of 2473304 under the Credit Agreement, as amended hereby, and all other outstanding Obligations.

ARTICLE 3 FORBEARANCE IN RESPECT OF CERTAIN EVENTS OF DEFAULT

3.1 **Forbearance**

3.1.1 In reliance upon the acknowledgments, confirmations, representations, warranties and covenants of the Obligors contained in this Agreement, and subject to the terms and conditions of this Agreement and any documents or instruments executed in connection with this Agreement, the Agent and the Lender agree to forbear from exercising their rights and remedies under the Existing Credit Agreement and the other Loan Documents and/or Applicable Law in respect of or arising out of or relating to the Existing Defaults, subject to the conditions, amendments and modifications contained in this Agreement, during the period (the "Forbearance Period") commencing on the date of this Agreement and ending on the earlier of:

3.1.1.1 the Termination Date; and

3.1.1.2 the occurrence or existence of any Terminating Event.

- 3.1.2 On the last day of the Forbearance Period, the agreement of the Agent and the Lender to forbear will automatically and without further action terminate and be of no further force or effect, it being expressly agreed that the effect of that termination will be to permit the Agent and the Lender to immediately exercise all or any part of their rights and remedies under this Agreement, the Credit Agreement, the other Loan Documents and Applicable Law (whether against all or any combination of the Obligors), including without limitation:
- 3.1.2.1 to immediately terminate each of the Credit Facilities and cease to make any further Loans, upon which no further credit will be available thereunder;
 - 3.1.2.2 to demand immediate payment of all of the Obligations and enforce all of the Agent's and the Lender's rights and remedies under this Agreement, the Credit Agreement, the other Loan Documents and Applicable Law, in each case without any further notice, passage of time or forbearance of any kind; and
 - 3.1.2.3 to appoint a receiver, interim receiver or receiver and manager of any of the Obligors pursuant to this Agreement, the Credit Agreement, the other Loan Documents or Applicable Law (or apply to a court of competent jurisdiction to do so).

3.2 No Other Waivers; Reservation of Rights

The Agent and the Lender have not waived, and are not by this Agreement or the implementation of this Agreement waiving, any Existing Default or any Additional Default (whether the same or similar to the Existing Defaults or otherwise), and the Agent and the Lender have not agreed to forbear with respect to any of their rights or remedies concerning any Additional Default (whether the same or similar to the Existing Defaults or otherwise) which may have occurred or be continuing as of the date of this Agreement or which may occur or be continuing after the date of this Agreement. The Agent and the Lender have not waived any of such rights or remedies, and nothing in this Agreement, and no delay on their part in exercising any such rights or remedies, should be construed as a waiver of those rights or remedies.

3.3 Fees and Interest

- 3.3.1 In consideration of the agreements set out in this Agreement, the Borrowers agree to pay to the Agent, for the benefit of the Lender, an amendment and forbearance fee in the amount of \$75,000 which shall be fully earned as at the date of this Agreement and is to be paid immediately upon the execution and delivery of this Agreement (the "Forbearance Fee").

- 3.3.2 The Forbearance Fee is in addition to all other fees (including legal fees), interest, costs, expenses and other amounts payable in connection with this Agreement, the Credit Agreement and the other Loan Documents (including fees contemplated in the Existing Credit Agreement to the extent that payment has not been received by the Agent as at the date hereof) and may be charged by the Agent to any account of the Borrowers maintained by the Lender. The Forbearance Fee will be fully earned by the Agent and the Lender despite any failure by any Obligor to comply with any other term of this Agreement.
- 3.3.3 Notwithstanding Section 2.3.5 or any other provision of this Agreement or any provision within the Existing Credit Agreement or any other Loan Document:
- 3.3.3.1 Canadian Prime Loans and Base Rate Loans to each of the Borrowers shall be made at the Canadian Prime Rate plus 1.00% per annum or the Base Rate plus 1.00% per annum, as applicable, with interest accruing from day to day from the date of each such Borrowing; and
- 3.3.3.2 each of the Borrowers shall pay to the Agent for the account of the Lender, an Unused Line Fee for the period commencing on the CCAA Filing Date in relation to its portion of the Credit Facilities and at all times thereafter until its Obligations have been permanently and irrevocably repaid in full and its Credit Facilities have been permanently and irrevocably reduced to nil, computed at a rate of 0.50% per annum on the average daily excess amount of each Borrower's respective Commitment (as the aggregate Commitments to the Borrowers have been divided among them pursuant to Article 5) over its respective Exposure (but excluding, solely for the purpose of this Section 3.3.3.2, any F/X Exposure of Grafton-Fraser), which Unused Line Fees shall be calculated monthly in arrears on the last Business Day of each calendar month (and on the date on which the Credit Facilities terminate) and each such calculated amount shall be payable on the first Business Day of the immediately following calendar month (or on the date on which the Credit Facilities terminate, as the case may be) with all Unused Line Fees being computed on the basis of a year of 365 or 366 days, as the case may be, and payable for the actual number of days elapsed (including the first day but excluding the last day); and
- 3.3.3.3 the Letter of Credit Fee, for the purposes of this Agreement and the Credit Agreement, is increased to: (a) in respect of documentary Letters of Credit, 1.75% per annum, and (b) in respect of standby Letters of Credit, 2.50% per annum; in each case, on the face amount of each Letter of Credit issued by the Issuing Bank to an Obligor.

ARTICLE 4
OBLIGATIONS OF THE OBLIGORS DURING FORBEARANCE PERIOD

4.1 Covenants of the Obligors

During the Forbearance Period, each Obligor covenants and agrees as follows:

- 4.1.1 the Obligors must maintain as current all payments accruing from and after the CCAA Filing Date under any lease or any mortgage of any premises out of which 2473304 operates, or contracts for storage or bailment, and will otherwise not permit any default or event of default under any such lease, mortgage or contract for storage or bailment after the CCAA Filing Date, or forthwith obtain a waiver in writing from the relevant landlord, storer or bailee; provided, however, that the foregoing shall not apply with respect to any assignments, disclaimers or resiliations of contracts effected by 2473304 pursuant to the SISF and the CCAA Proceedings and 2473304 hereby agrees to give the Agent concurrent notice thereof, or to payments for goods or services provided or received by 2473304 before the date of the CCAA Filing Date or to any other payment obligations, the enforcement of which is stayed by the CCAA Proceedings;
- 4.1.2 each Obligor will strictly adhere to all the terms, conditions and covenants of this Agreement, the Credit Agreement and the other Loan Documents including, without limitation, terms requiring prompt payment to the Agent and the Lender of principal and interest amounts when due, except to the extent that those terms, conditions and covenants are otherwise specifically amended by this Agreement, or modified and agreed to in writing by the parties to such agreement and acknowledged and approved in writing by the Agent;
- 4.1.3 notwithstanding anything to the contrary contained in this Agreement, the Credit Agreement or any other Loan Document:
 - 4.1.3.1 2473304 will not transfer, lease, sell or otherwise dispose of all or any part of its property, assets or undertaking (excluding dispositions of inventory in the ordinary course of business) other than the transfer, lease, sale or other disposition of property, assets or undertaking not exceeding \$50,000 for any single transaction or \$100,000 in the aggregate; provided, however, that the foregoing shall not apply with respect to any sales or dispositions of property, assets or undertaking effected by 2473304 in accordance with the terms of the SISF as consented to and approved by the Agent in writing;
 - 4.1.3.2 notwithstanding Section 6.6 of the Credit Agreement, each Obligor agrees that no Restricted Payment or Capital Expenditure shall be paid, in each case without the prior written consent of the Agent given on or after the

date hereof except, as regards Grafton-Fraser, Capital Expenditures as contemplated in the GFI Cash Flow;

4.1.3.3 notwithstanding clause 4.1.3.2 and unless otherwise agreed to by the Agent in writing on or after the date hereof, 2473304 shall not pay any key employee any bonus, incentive or retention payments, whether such payment was an obligation arising from a contract executed prior to the commencement of the CCAA Proceedings or otherwise; and

4.1.3.4 notwithstanding Section 6.8 of the Credit Agreement, any provision to the contrary thereof in the Term Forbearance Agreement or any other Term Loan Documents, and Section 7.1.1.9 of this Agreement, no Obligor shall make any payment in respect of principal or interest on, or on account of, the Permitted Term Debt, except for any amounts distributed to the Term Administrative Agent on account of the Term Loan Priority Collateral sold in connection with the SISP.

4.1.4 2473304 will forthwith provide to the Agent (at the cost of 2473304):

4.1.4.1 a copy of any notice that it is required to give to any Person (including, without limitation, any landlord) pursuant to the CCAA Proceedings at the same time any such notice is required to be given to such Person;

4.1.4.2 a copy of all reports and information respecting the business, financial condition or prospects of 2473304 (including, without limitation, all unredacted reports and information provided to 2473304 by the Consultant as the Agent may, from time to time, reasonably request), which reports and information shall be subject to Section 9.12 of the Credit Agreement;

4.1.4.3 on not less than five (5) Business Days' prior notice (unless circumstances do not permit such notice, in which case, such notice as may be reasonably practicable in the circumstances), copies of draft court documents, including any plan of compromise or arrangement, in respect of any application, motion or other contemplated actions or steps made or taken by 2473304 in the CCAA Proceedings or other similar or ancillary proceedings in any other jurisdiction (excluding drafts of any report of the Monitor); subject in all cases to confidentiality restrictions (provided, however, that where disclosure to the Agent of the confidential information is not prohibited, the Agent is permitted to share and provide copies of all such information and materials to its agents, counsel, consultants and advisors who have been advised of and agree to be subject to the same confidentiality restrictions), and all draft orders and any plan of arrangement or compromise in the CCAA Proceedings must be filed in a form which is confirmed by the Agent and the Lender to be satisfactory to the Agent and the Lender;

4.1.4.4 the following reporting information certified by the respective Chief Financial Officer (unless otherwise specified) of the applicable Obligors and in form and detail satisfactory to the Agent:

4.1.4.4.1 the reporting information required under the Credit Agreement (and, in particular, Section 5.1 thereof), including, without limitation, effective immediately, (a) the financial information pursuant to Section 5.1(b) of the Credit Agreement on a consolidated and consolidating basis (to also present separately Grafton-Fraser's financial condition and results of operations as otherwise required therein), and (ii) a separate Borrowing Base Report for each of the Borrowers (it being also acknowledged and agreed by the Obligors that the Weekly Reporting Trigger Period has commenced and is continuing as stipulated in the Reservation of Rights Letter);

4.1.4.4.2 promptly after an Obligor learns of the receipt or occurrence thereof, a certificate of such Obligor, signed by a senior officer of such Obligor, specifying:

- (a) notice of the institution of or any material adverse development in any action, suit or proceeding or any governmental investigation or any arbitration before any court or arbitrator or any Governmental Authority or official against such Obligor which would reasonably be expected to have a Material Adverse Effect;
- (b) any official notice of any violation, possible violation, non-compliance or possible non-compliance, or claim made by any Governmental Authority or licensor pertaining to all or any part of the properties or Intellectual Property Rights of such Obligor which would reasonably be expected to have a Material Adverse Effect;
- (c) except for the Existing Defaults, any event which constitutes a Default or Event of Default, together with a detailed statement specifying the nature thereof and the steps being taken to cure such Default or Event of Default;
- (d) the receipt of any notice from, or the taking of any other action by, the holder of any promissory note, debenture or other evidence of Indebtedness of such

Obligor with respect to an actual or alleged default, together with a detailed statement specifying the notice given or other action taken by such holder and the nature of the claimed default and what action such Obligor is taking or proposes to take with respect thereto; and

- (e) any other event, development or condition which may reasonably be expected to have a Material Adverse Effect;

4.1.4.4.3 promptly:

- (a) after receipt by an Obligor, a copy of any notice received by such Obligor in which any creditor, landlord, licensor or other third party delivers a notice of defect, default, demand, acceleration or enforcement in respect of any obligation of such Obligor,
- (b) after receipt by 2473304, subject to the prior consent of the Monitor, copies of any draft and/or final report to be issued by the Monitor in connection with the CCAA Proceedings,
- (c) provide the Agent and the Lender with any written restructuring, liquidation or sale proposal that is received by 2473304, the Monitor, the Consultant or their respective advisors, which written proposals shall be subject to Section 9.12 of the Credit Agreement; and

4.1.4.4.4 promptly, all other reports and information required to be provided under this Agreement, the Credit Agreement or any other Loan Document or as may be otherwise reasonably required by the Agent from time to time.

4.1.5 **Use of Non-Lender Accounts:** 2473304 agrees that at all times all of its deposit accounts shall be Blocked Accounts maintained with the Agent save and except for the deposit accounts listed on Schedule 4 hereto (the "Non-Lender Accounts"). The full amount of all credit balances in the Non-Lender Accounts shall be transferred each Business Day to a 2473304 Blocked Account held at a branch of the Agent which continues to be used in the ordinary course for such deposits and transfers. Each of the Non-Lender Accounts shall only be used for receiving deposits from retail store locations where no branch of the Agent is reasonably proximate to such

location for the purpose of such deposits and shall only be used for deposits in the ordinary course of business of 2473304 in respect of such applicable retail location.

- 4.1.6 **Security:** The Obligors will from time to time execute and deliver additional Guarantees and such supplements, amendments or additions as may be requested by the Agent to any of the existing Liens held by the Agent (together with supporting resolutions, certificates and other documentation as may be reasonably required) in order to better effect the intent of this Agreement, the Credit Agreement and the other Loan Documents.
- 4.1.7 **Suspension of Existing Financial Covenant:** The Obligors and the Agent agree that compliance with the financial covenant set forth in Section 5.12 of the Existing Credit Agreement shall be temporarily suspended, and the Agent will not exercise any of the rights under the Existing Credit Agreement or the other Loan Documents solely in respect of any breach of such financial covenant, before or during the Forbearance Period.
- 4.1.8 **No Non-arm's Length Payments:** Without derogation to any negative covenants contained in the Credit Agreement and subject to Section 4.1.3, no Obligor shall make any payments of interest, principal, bonuses, management fees, incentives, payments or salary or other distributions of cash or assets to any Person with which it does not deal with at arm's length except for payments of salaries in the ordinary course of business and consistent with historical salary payments (excluding bonuses).
- 4.1.9 **Further Assurances:** Each Obligor will provide any further or additional documents, whether provided for in this Agreement, the Credit Agreement, any other Loan Documents or otherwise, that the Agent may require to ensure that the Agent has and continues to have full and complete Guarantees from each Obligor and a first ranking Lien, subject to Permitted Liens and any court-ordered charge(s) approved by the Agent and the Lender and granted by the CCAA Court in the CCAA Proceedings which may have priority over such Agent's Liens, against such assets, properties and undertaking of the Obligors as the Agent requires (including all amendments or supplements to any of this Agreement, the Credit Agreement or any other Loan Document (including all Security Documents) and all additional or supplemental debentures, hypothecs, mortgages, charges, assignments, pledges and/or other security deemed necessary or desirable by the Agent).
- 4.1.10 **Pre-Filing Borrowings:** 2473304 shall seek and obtain, as part of the Initial Order, an Order of the CCAA Court, in form and substance satisfactory to the Agent and the Lender, authorizing and directing 2473304 to pay, in accordance with the Credit Agreement, as amended hereby, any and all amounts owing by 2473304 to the Agent and the Lender on account of 2473304's pre-filing outstanding Borrowings under the Credit Agreement from time to time, whether such Borrowings obligations arose prior to or after the CCAA Filing Date, provided that no advances of funds made by the Agent or the Lender to 2473304 under the Credit Agreement (as amended) made on

or after the granting of the Initial Order shall be used to pay 2473304's pre-filing outstanding Borrowings under the Credit Agreement (as amended) (the "Pre-filing Payments Order").

4.1.11 **13-week Cash Flow Projections:** The Borrowers agree that they will: (i) provide the Agent and the Lender with updates and roll forward the Approved CCAA Cash Flow and the GFI Cash Flow on a weekly basis and updated Approved CCAA Cash Flows and updated GFI Cash Flows shall be delivered to the Agent by 12:00 noon on the third Business Day of each week during the Forbearance Period, in form acceptable to the Agent, acting reasonably, (including an explanation of variances from prior Approved CCAA Cash Flow and GFI Cash Flow forecasts); and (ii) deliver to the Agent promptly such additional information as the Agent may from time to time reasonably request respecting any such Approved CCAA Cash Flow and GFI Cash Flow (failing which such Approved CCAA Cash Flow and GFI Cash Flow shall not be acceptable to the Agent).

4.1.12 **Blocked Accounts:** 2473304 agrees as follows:

4.1.12.1 that it will enforce, collect and receive at its expense all amounts owing on its Accounts in the ordinary course of its business and any proceeds it so receives shall be subject to the terms of the Credit Agreement and this Section 4.1.12;

4.1.12.2 that, on the CCAA Filing Date and at all times thereafter: (a) each of the 2473304 deposit accounts that receive proceeds of Inventory or other Property subject to a Lien in favour of the Agent or otherwise (including, for greater certainty, Non-Lender Accounts) are and shall be Blocked Accounts subject to duly executed and delivered Blocked Account Agreements and complying in all respects with the terms set forth in the Credit Agreement, (b) 2473304 shall have delivered to the Agent evidence satisfactory to the Agent that blocked account and cash management systems with all such Persons complying in all respects with the terms set forth in the Credit Agreement have been established and are currently being maintained in the manner set forth in the Credit Agreement, and (c) it shall have delivered to the Agent copies of duly executed tri-party blocked account and other control agreements satisfactory to the Agent, acting reasonably, with all such other Persons as required by the Agent in its sole discretion; and

4.1.12.3 that it will seek and obtain, as part of the Initial Order, an Order of the CCAA Court, in form and substance satisfactory to the Agent and the Lender, authorizing and directing 2473304 to enter into the above described Blocked Accounts arrangements (the "Blocked Accounts Order").

The Parties hereto hereby acknowledge, confirm and agree that the continuing implementation of the cash management arrangements is a contractual right provided to the Agent hereunder and under the Credit Agreement in order for the Agent to manage and monitor its collateral position and not a proceeding for enforcement or recovery of a claim, or pursuant to, or an enforcement of, any security or remedies whatsoever, that the cash management arrangements contemplated herein are critical to the structure of the lending arrangements contemplated herein, that the Agent is relying on this acknowledgement, confirmation and agreement with respect to such cash management arrangements in making accommodations of credit available to 2473304 and in particular that any accommodations of credit are being provided by the Agent and the Lender to 2473304 strictly on the basis of a borrowing base calculation to fully support and collateralize any such accommodations of credit hereunder.

Notwithstanding any of the foregoing in this Section 4.1.12, upon the issuance of an Order of the CCAA Court approving the transaction contemplated by the Agency Agreement entered into pursuant to the SISF, during the Sale Term (as defined in the Agency Agreement) (provided that the Sale Term does not extend beyond the Forbearance Period), proceeds from the Sale (as defined in the Agency Agreement) and any Net FF&E Proceeds (as defined in the Agency Agreement) shall be collected and deposited in one or more Blocked Accounts and upon written direction of 2473304 approved in writing by the Monitor, the Agent shall remit, in accordance with and subject to adjustment in the Agency Agreement (i) to the Monitor for the account of 2473304, an amount sufficient to pay sales taxes as set out in the direction in accordance with the terms of the Agency Agreement, (ii) to an Agency Account (as defined in the Agency Agreement) such amounts as set out in the direction in accordance with the terms of the Agency Agreement, and (iii) to the Monitor, any Net FF&E Proceeds as set out in the direction. For purposes of greater certainty, 2473304 shall take all steps necessary to cause (i) all payments on account of the Initial Guaranty Payment (as defined in the Agency Agreement) to be remitted to the Monitor for ultimate distribution to the Agent and which may be applied by the Agent against the Borrowings of 2473304, (ii) any remaining payments on account of the Guaranteed Amount (as defined in the Agency Agreement) to be deposited in the Blocked Accounts and which may be applied by the Agent against the Borrowings of 2473304, and (iii) the deposit of all other amounts required to be deposited in the Blocked Accounts pursuant to this Agreement. Subject to the Agency Agreement, the Approval Order (as defined in the Agency Agreement and as referenced in the last paragraph of Section 4.1.13) and this Agreement, the amounts referenced in clause (iii) in the preceding sentence (other than any Net FF&E Proceeds) may be applied by the Agent against the Borrowings of 2473304 pursuant to the cash management arrangements contemplated herein.

4.1.13 **Sale or Investment Solicitation Process:** 2473304 agrees to continue the SISF and agrees as follows:

- 4.1.13.1 all marketing materials, including, without limitation, a list of prospective purchasers, a form of non-disclosure agreement, and a teaser letter, copies of which have been provided to the Agent and the Lender, shall be to the satisfaction of the Agent and the Lender;
- 4.1.13.2 binding letters of interest from such prospective purchasers shall be due by May 23, 2016, and a definitive agreement with a selected purchaser who has submitted a letter of interest shall be executed by June 8, 2016;
- 4.1.13.3 2473304 shall ensure that the Agent, the Lender and the Monitor are promptly provided with copies of all marketing materials, any letters of interest or definitive agreements provided, any other communications in respect of the foregoing and any details of the foregoing reasonably requested by the Agent, the Lender or the Monitor, all of which shall be subject to Section 9.12 of the Credit Agreement; and
- 4.1.13.4 all other terms of the above described SISP, and any amendments to the SISP, *including, without limitation, the Agency Agreement, must be acceptable to the Agent and the Lender.*

On or before June 14, 2016, 2473304 shall seek and obtain the Order of the CCAA Court, in form and substance satisfactory to the Agent and the Lender, approving a transaction entered into pursuant to the above-described SISP, in form and substance satisfactory to the Agent and the Lender.

4.2 Covenants in the Credit Agreement and the other Loan Documents

Except as expressly modified in this Agreement by specific reference, all of the covenants in this Agreement are in addition to and not in substitution for the covenants of the Obligors in the Credit Agreement and the other Loan Documents.

ARTICLE 5 AMENDMENTS TO LENDING ARRANGEMENTS

5.1 Amendments to Existing Credit Agreement

- 5.1.1 Each of the Obligors hereby agrees with the Agent and the Lender that, effective immediately, (a) the Commitment of the Lender to 2473304 shall be \$8,000,000 (reduced to \$2,200,000 following receipt by the Agent, for the account of the Lender, of a distribution in the amount of (A) the Initial Guaranty Payment (as defined in the Agency Agreement) less (B) an amount of \$500,000 on account of the Administration Charge (as defined in the Initial Order)) and to Grafton-Fraser shall be \$27,000,000;

(b) the Lender shall not be required to extend further credit under the Credit Agreement to the Borrowers, and the Borrowers shall not make any request for Borrowings, if any further extension of credit made by the Lender as requested (i) by 2473304 would result in the Lender's Exposure to 2473304 exceeding the lesser of \$8,000,000 (as reduced pursuant to clause (a) above) or the Borrowing Base of 2473304; or (ii) by Grafton -Fraser would result in the Lender's Exposure to Grafton-Fraser exceeding the lesser of \$27,000,000 or the Borrowing Base of Grafton-Fraser; (c) the Borrowing Base shall be calculated separately for each of the Borrowers such that Borrowings made by 2473304 will be subject to a calculation of the Borrowing Base and all of the components thereof attributable solely to 2473304 (including, without limitation, its Eligible Credit/Debit Card Accounts, its Eligible Inventory, its Availability Reserves and its Priority Payables components included in the Borrowing Base and not any of the foregoing relating to Grafton-Fraser), and Borrowings made by Grafton-Fraser will be subject to a calculation of the Borrowing Base and of all of the components thereof attributable solely to Grafton-Fraser (including, without limitation, its Eligible Credit/Debit Card Accounts, its Eligible Inventory, its Availability Reserves and its Priority Payables components included in the Borrowing Base and not any of the foregoing relating to 2473304) such that none of the Collateral of Grafton-Fraser shall be available to 2473304 to support 2473304 Borrowings and none of the Collateral of 2473304 shall be available to Grafton-Fraser to support Grafton-Fraser Borrowings; (d) no Borrower will create, incur, assume or permit to exist any Indebtedness of one Borrower to the other Borrower; and (e) notwithstanding the foregoing, the Agent and the Lender shall permit extensions of credit to the Borrowers in excess of their respective Borrowing Bases (but not in excess of the Lender's respective Commitments to them) up to the amounts and during the periods set forth in the Approved CCAA Cash Flow and the GFI Cash Flow, it being agreed by Grafton-Fraser that an Availability Reserve against the Borrowing Base of Grafton-Fraser shall be applied by the Agent in an amount equal to any such overadvance by 2473304. The ability of the Borrowers to incur Borrowings shall be determined on the basis that all debts and obligations of the Borrowers incurred in respect of goods or services provided after the date of the Initial Order in the CCAA Proceedings shall be dealt with in accordance with the Approved CCAA Cash Flow and the GFI Cash Flow.

5.1.2 Each of the Obligors hereby agrees with the Agent and the Lender that, effective immediately, (a) no new Bankers' Acceptances, BA Equivalent Loans or LIBO Rate Loans shall be made available to, or may be continued or converted by, the Borrowers under the Credit Agreement, provided that, so long as no Terminating Event occurs, any existing Bankers' Acceptances, BA Equivalent Loans, and LIBO Rate Loans shall be allowed to expire and converted to Canadian Prime Loans and Base Rate Loans in accordance with the Credit Agreement; (b) no new Letters of Credit shall be requested or issued for the benefit of 2473304, provided that, so long as no Terminating Event occurs, any existing Letter of Credit issued for the benefit of 2473304 shall be allowed to remain outstanding and renew in accordance with its

terms; and (c) no new F/X Contract shall be requested or concluded for the benefit of 2473304.

- 5.1.3 Except to the extent otherwise set forth in this Agreement, the Credit Facilities shall continue in accordance with their terms and conditions as set forth in the Existing Credit Agreement.

5.2 Purpose

- 5.2.1 The proceeds of Borrowings by 2473304 shall, subject to the provisions of this Agreement, be used for funding in the ordinary course its operations and restructuring during the CCAA Proceedings, its out-of-pocket costs incurred in connection with the CCAA Proceedings (including all reasonable fees and expenses of its counsel, the Consultant, the Monitor and the Monitor's counsel and the Agent's counsel), and for such other purposes as may be agreed to by the Agent in writing; all in accordance with the Approved CCAA Cash Flow.

5.3 Maturity

- 5.3.1 All amounts owing by 2473304 in connection with Borrowings by 2473304 under the Credit Agreement to the Agent and the Lender in connection with this Agreement, the Credit Agreement and all other Loan Documents shall be paid by 2473304 to the Agent in full on the Termination Date. The "Termination Date" shall be the date which is the earliest of:

- 5.3.1.1 two (2) days following the receipt by the Agent of written notice by any of the Borrowers of termination of any or all of the Credit Facilities;
- 5.3.1.2 the date of issuance of a demand by the Agent for repayment of any or all of the Obligations upon the occurrence of a Default or an Event of Default (other than an Existing Default);
- 5.3.1.3 the implementation date of any plan of compromise and/or arrangement under the CCAA Proceedings;
- 5.3.1.4 the date on which the stay imposed under the CCAA Proceedings is lifted, in whole or in part, is terminated or lapses without extension, unless the Agent consents thereto;
- 5.3.1.5 September 30, 2016 or such other date as may be agreed to by the Agent; and
- 5.3.1.6 the occurrence or existence of any Terminating Event.

**ARTICLE 6
REPRESENTATIONS, WARRANTIES AND COVENANTS**

Each of the Obligors represents, warrants and covenants with and to the Agent and the Lender as follows:

6.1 Representations in Loan Documents

Except for any representation and warranty set out in any of the Loan Documents relating to the non-existence of an Existing Default, or stated to be made as at a particular date, each of the representations and warranties made by or on behalf of the Obligors to the Agent and the Lender in the Existing Credit Agreement or any of the other Loan Documents was true and correct when made, and in all material respects is, true and correct on the date of this Agreement, with the same full force and effect as if each of those representations and warranties had been made by the applicable Obligor on the date of, and within, this Agreement.

6.2 Full Effect of Documents

This Agreement, the Existing Credit Agreement and the other Loan Documents are in full force and effect, except as modified by this Agreement.

6.3 No Conflict

The execution and delivery and performance of this Agreement by each Obligor will not violate any requirement of *Applicable Law* or any *Material Contract* of each Obligor, and will not result in, or require, the creation or imposition of any Lien on any of its properties or revenues except as expressly contemplated herein.

6.4 The Agent May Pursue Rights and Remedies

Nothing in this Agreement will prejudice the Agent and the Lender's rights to pursue any of their rights or remedies including, without limitation, enforcing their rights under any of this Agreement, the Existing Credit Agreement or any of the other Loan Documents or under *Applicable Law* following the expiry or termination of the *Forbearance Period*.

6.5 Terminating Events

Other than as provided in this Agreement or as may otherwise be consented to in writing by the Agent, the occurrence of any of the following events (other than any such event that constitutes or gives rise to an Existing Default) will constitute a "Terminating Event" under this

Agreement (and, for purposes of greater certainty, a Default or an Event of Default under the Credit Agreement and the other Loan Documents):

- 6.5.1 if any Additional Default occurs;
- 6.5.2 if, on a cumulative basis tested weekly, in any given week during the Forbearance Period, the actual Receipts (as so described in the Approved CCAA Cash Flow) of 2473304 or the actual Retail Receipts (as so described in the GFI Cash Flow) of Grafton-Fraser are less than their respective Minimum Cumulative Receipts amounts as shown on Schedule 8 hereto, or the aggregate amount of the actual Operating Disbursements and Non-Operating Disbursements (each as so described in the Approved CCAA Cash Flow and the GFI Cash Flow) of either 2473304 or Grafton-Fraser are greater than their respective Maximum Cumulative Disbursements amounts as shown on Schedule 8 hereto;
- 6.5.3 except for any court-ordered charge(s) granted by the CCAA Court in the CCAA Proceedings that rank in priority to the Liens of the Agent, with the consent of the Agent, or as may otherwise be expressly consented to by the Agent, if any court of competent jurisdiction, including, without limitation the CCAA Court, makes any order declaring that all or part of 2473304's property is subject to a Lien, security or charge in favour of any party other than the Agent and such court ordered charge purports to rank in any manner whatsoever in priority to any claim of the Agent under its Liens in the Security Documents or the DIP Priority Charge;
- 6.5.4 if, on or after the date of this Agreement:
 - 6.5.4.1 the CCAA Proceedings are terminated without the prior or concurrent consent of the Agent or any Order of the CCAA Court is sought by 2473304 or granted by the CCAA Court that could reasonably be expected to materially adversely affect the interests of the Agent or the Lender,
 - 6.5.4.2 this Agreement expires on September 30, 2016 without extension, or
 - 6.5.4.3 the Monitor reports to the CCAA Court that there has been a material adverse change in respect of 2473304 and/or the CCAA Proceedings;
- 6.5.5 if 2473304 makes any payment prohibited by the Initial Order;
- 6.5.6 if 2473304 defaults in any payment on its due date of any amount payable by it after the date of the CCAA Filing Date in respect of services provided to or goods received by 2473304 after the date of the CCAA Filing Date, to any third party, in an amount in excess of \$25,000 for any single transaction or \$100,000 in the aggregate, other than amounts which 2473304 is disputing in good faith and other than as provided for under this Agreement or the Approved CCAA Cash Flow;
- 6.5.7 if any Terminating Event (as defined in the Term Forbearance Agreement as it exists as at the date of this Agreement) occurs;

- 6.5.8 if any representation, warranty or other statement made or deemed to be made by any Obligor in this Agreement, the Credit Agreement or any of the other Loan Documents or in any of the documents or instruments to be delivered to the Agent and the Lender as contemplated by this Agreement is untrue in any material respect (unless stated to be made as at a particular date and subject to applicable cure periods, if any);
- 6.5.9 if there occurs, except as part of the SISP, a Change in Control of the legal or beneficial ownership in the capital stock of 2473304, including if any of the shareholders of that equity sell, assign, transfer, donate or otherwise dispose or create a Lien in respect of or covering such capital stock or enters into an agreement with respect to any of the foregoing;
- 6.5.10 if there occurs, except as part of the SISP the effect of which is reflected in the Approved CCAA Cash Flow and summarized in detailed notes thereto, any: (a) closure of all or any material part of any of the business or operations of any of 2473304 or any suspension of all or a material part of the business or operations of 2473304 and/or (b) disposition or sale of all or any material part of the business or operations of 2473304;
- 6.5.11 if, other than the CCAA Proceedings, any action is taken by or against or consented to by any of the Obligors to institute proceedings to be liquidated, adjudicated a bankrupt or insolvent or consent to the institution of liquidation, bankruptcy, insolvency or similar proceedings against any of the Obligors, or file a petition (or similar action or proceeding) or consent seeking reorganization, arrangement, or relief from creditors, or take or commence any other steps or proceedings under any one or more of the applicable insolvency, liquidation, bankruptcy or analogous statutes or laws and, in the case of any action taken against any of the Obligors in connection with any of the foregoing, such petition, application or proceeding continues undismissed or unstayed for a period of 10 calendar days after the institution thereof;
- 6.5.12 if any action, claim or proceeding is formally commenced, filed or lodged against any of the Obligors after the entry of the Initial Order, which is not stayed, and the same gives rise to, or could reasonably be expected to give rise to, indebtedness, liabilities or obligations of \$500,000 and such action, claim or proceeding continues undismissed or unstayed for a period of 10 calendar days after the institution thereof;
- 6.5.13 if an application or motion is made seeking to have Grafton-Fraser designated as an "Applicant" in the CCAA Proceedings or Grafton-Fraser is afforded a stay of proceedings under the CCAA Proceedings;
- 6.5.14 if 2473304 otherwise sells, transfers or assigns or otherwise disposes of (other than in the ordinary course of business or as contemplated in this Agreement or the SISP) or grants a Lien on any of the Collateral or enters into any agreement to do so other than as specifically contemplated in this Agreement, the Existing Credit Agreement or any of the Loan Documents or with the prior written consent of the Agent;

- 6.5.15 if any creditor or encumbrancer of 2473304 takes possession of any of its property or assets, or if distress or execution or any similar process is levied or enforced against 2473304's property or assets;
- 6.5.16 if any of the Obligors contests or denies in any manner the legality, validity, binding nature or enforceability of this Agreement, the Existing Credit Agreement or any of the other Loan Documents or any liabilities and obligations to the Agent or the Lender under or relating to this Agreement, the Existing Credit Agreement or any of the other Loan Documents;
- 6.5.17 if the Agent determines that a Material Adverse Change in the financial or business condition, or prospects of, any Obligor has occurred or that a Material Adverse Change in the value of the Collateral relative to the Obligations has occurred; or
- 6.5.18 if any step is taken or event occurs that would materially prejudice or jeopardize the Agent's or the Lender's priority rights under this Agreement, the Credit Agreement or the other Loan Documents or the Collateral secured by the Loan Documents.

Upon the occurrence of a Terminating Event, the Forbearance Period will automatically terminate without requirement for any notice to any Obligor or any other action whatsoever by the Agent, subject to Applicable Law (including, if applicable, the Initial Order).

ARTICLE 7 CONDITIONS PRECEDENT TO THIS AGREEMENT

7.1 Conditions Precedent

7.1.1 The forbearance and other accommodations granted by the Agent and the Lender hereunder shall only be granted by the Agent and the Lender if the following conditions precedent (the "**Conditions Precedent**") have been complied with in a manner satisfactory to the Agent on or before 3:00 p.m. (EDT) on June 7, 2016, or such other time or date as specified below:

7.1.1.1 the Agent has received a duly authorized, executed and delivered PDF copy of this Agreement executed by each of the Obligors and each of the Obligors undertake to deliver an original executed copy of this Agreement to the Agent as soon as reasonably possible thereafter;

7.1.1.2 the payment of: (i) the Forbearance Fee owing to the Agent and the Lender payable under Section 3.3.1, and (ii) all fees, disbursements and taxes of Agent's legal counsel due and owing to Agent's legal counsel at such time pursuant to a delivered invoice; it being acknowledged and agreed by the Obligors that, in satisfying this condition precedent, each

such amount shall be automatically debited by the Agent from the operating account of 2473304 without any further consent or agreement of 2473304 being required in respect thereof;

- 7.1.1.3 the Agent shall have confirmed to the Obligors that the Approved CCAA Cash Flow prepared by 2473304 to be filed with its CCAA materials and that the GFI Cash Flow prepared by GFI are each satisfactory to the Agent;
- 7.1.1.4 the Agent shall have received, within the time periods specified in Section 4.1.4.3 hereof, copies of all materials to be filed by 2473304 in the CCAA Proceedings, all supporting materials in respect of such materials, the list of creditors and the Approved CCAA Cash Flow and shall be satisfied in its sole discretion with such materials, list, Approved CCAA Cash Flow and the relief sought;
- 7.1.1.5 the Initial Order shall be in form and substance satisfactory to the Agent and the Lender and shall, *inter alia*,:
 - 7.1.1.5.1 provide that the Agent shall at all times be treated as an "unaffected creditor" in the CCAA Proceedings and in any plan of compromise or arrangement filed pursuant thereto and/or in any other insolvency, restructuring, reorganization and/or arrangement proceeding with respect to 2473304 thereafter including, without limitations, proceedings under the CCAA or the BIA and any stay of proceedings ordered by the CCAA Court in the CCAA Proceedings shall not apply to the Agent and the Lender, provided the Agent shall give not less than five (5) Business Days' prior written notice to 2473304 and the Monitor of its intention to cease making advances or set-off or consolidate any amounts owing by the Agent or the Lender to 2473304 under this Agreement and the Credit Agreement, and during such notice period the Agent shall continue to fund only the payment of employee wages, Priority Payables and, provided there is sufficient availability, such expenditures as are contemplated in the then current Approved CCAA Cash Flows and reasonably requested by 2473304 and as agreed to by the Agent acting in its sole and unfettered discretion;
 - 7.1.1.5.2 provide that the aggregate of any and all advances of funds by the Agent and the Lender to 2473304 under the Credit Agreement (as amended by this Agreement). made on or after the time of the granting of the Initial Order shall be secured by a CCAA Court ordered security and charge in

favour of the Agent (the "DIP Priority Charge") which security and charge shall rank in priority to every other claim, Lien and security interest against 2473304's property, assets and undertaking (other than the Term Priority Collateral (as such term is defined in the Intercreditor Agreement)), other than the Administration Charge (as defined in the Initial Order), and any charge (expressly consented to by the Agent) granted in favour of a successful purchaser pursuant to the SISP granted by the CCAA Court in the CCAA Proceedings which may have priority over the DIP Priority Charge and the Agent's Liens, without any need or requirement for any further steps for attachment, perfection, opposability against third parties, registration, publication or other notice thereof required to be taken by the Agent;

7.1.1.5.3 provide that except as may be expressly consented to by the Agent, at no time on and at any time after the CCAA Filing Date shall all or part of 2473304's property be the subject of a court ordered security or charge in favour of any party (other than the DIP Priority Charge in favour of the Agent) where such security or charge is purported to rank in any manner whatsoever in priority to any claim of the Agent or the Lender in respect of the Liens under the Security Documents and/or under the DIP Priority Charge;

7.1.1.5.4 include the Pre-filing Payments Order; and

7.1.1.5.6 include the Blocked Accounts Order.

7.1.1.6 the Agent shall have received satisfactory evidence that the Term Administrative Agent has agreed to forbear from exercising any rights or remedies under the Term Loan Documents as a result of any default or event of default of the Obligors existing thereunder arising from the CCAA Proceedings or otherwise, and delivery of an executed copy of the Term Forbearance Agreement shall be satisfactory evidence thereof as well as shall constitute the consent by the Agent and the Lender to the changes to the Term Loan Documents and other agreements contemplated thereby; and

7.1.1.7 all other documentation reasonably required by the Agent and its counsel in connection with this Agreement (including, without limitation, such further assurances, resolutions, opinions and additional confirmations or other agreements relating to the Agent's Liens), all duly authorized, executed and delivered in form and substance satisfactory to the Agent in its sole discretion.

The Conditions Precedent are for the sole benefit of the Agent and the Lender and may be waived only by the Agent in writing. If the conditions precedent are not complied with to the satisfaction of the Agent as provided for above, and the Agent will not waive satisfaction thereof at its sole discretion, then the forbearance and other accommodations granted by the Agent hereunder shall be terminated.

ARTICLE 8 GENERAL

8.1 Effect of this Agreement

Except as modified by this Agreement, no other changes or modifications to the Existing Credit Agreement or the other Loan Documents are intended or implied, and in all other respects the Existing Credit Agreement and the other Loan Documents are specifically acknowledged, ratified and confirmed by the Obligors. To the extent of conflict between the terms of this Agreement, the Existing Credit Agreement and the other Loan Documents, the terms of this Agreement will govern.

8.2 Costs and Expenses

The Obligors hereby absolutely and unconditionally jointly and severally agree to pay to and fully indemnify the Agent, on demand by the Agent at any time and as often as may be required, whether or not all or any of the transactions contemplated by this Agreement are consummated, all fees and disbursements of the Monitor, the Consultant, all counsel to the Agent, any financial advisor retained by the Agent, all other consultants to and agents of the Agent and all other expenses incurred by the Agent in connection with this Agreement, the Credit Agreement and the other Loan Documents including without limitation: (a) legal expenses in connection with the preparation, negotiation and interpretation of this Agreement, the other agreements or documents contemplated by this Agreement, the Credit Agreement and the other Loan Documents and the administration of this Agreement, the Credit Agreement and the other Loan Documents generally; (b) all documented expenses of advisors and consultants to and agents of the Agent (including legal expenses on a full indemnity basis) incurred in connection with the protection and enforcement of this Agreement, the Credit Agreement or any of the other Loan Documents or in connection with any proceeding in respect of bankruptcy, insolvency, winding up, receivership, dissolution, reorganization, liquidation, moratorium, arrangement or assignment for the benefit of creditors involving any Obligor; in each of the foregoing events whether under the laws of Canada, Ontario or other applicable jurisdiction, or any local or foreign bankruptcy, insolvency, reorganization, receivership or similar law. Each Obligor specifically authorizes the Agent to debit from any of its accounts with the Agent the amount of any such existing and future fees and disbursements, and other expenses and the Agent agrees to use commercially reasonable efforts to notify such Obligor of such debit and the amount thereof as soon as practicable thereafter.

8.3 Release

- 8.3.1 In consideration of this Agreement and for other good and valuable consideration, each Obligor, on their own behalf and on behalf of their respective successors, assigns, and other legal representatives, absolutely, unconditionally and irrevocably releases the Agent and the Lender, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, legal counsel, consultants, employees, agents and other representatives, and their successors and assigns (all of which are referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defences, rights of set-off, demands and liabilities (individually, a "Claim" and collectively, "Claims") known or unknown, both at law or in equity, that such Obligor or any of their respective successors, assigns, or other legal representatives may now or later have or claim against any of the Releasees by reason of any circumstance, action, cause or thing which arises at any time on or prior to the date of this Agreement, including for or on account of, or in relation to, or in any way in connection with (a) this Agreement, the Credit Agreement or any of the other Loan Documents or any transactions under or related to, this Agreement, the Credit Agreement or any of the other Loan Documents; (b) any and all proposed refinancings of the Borrowers by the Lender (past or present), including, without limitation, any and all prior proposed offers of finance (whether consummated or not), term sheets, indicative and non-binding term sheets or negotiations for financing, between the Lender and any and all of the Borrowers;
- 8.3.2 each Obligor understands, acknowledges and agrees that the release set out in Section 8.3.1 may be pleaded as a full and complete defence and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of that release; and
- 8.3.3 each Obligor agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may later be discovered will affect in any manner the final, absolute and unconditional nature of the release set out in Section 8.3.1.

8.4 Survival of Representations and Warranties

All representations and warranties made in this Agreement or any other document delivered in connection with this Agreement will survive the execution and delivery of this Agreement and the other documents and no investigation by the Agent or the Lender or any closing will affect the representations and warranties or the right of the Agent or the Lender to rely upon them.

8.5 Governing Law

This Agreement is governed by, and is to be construed and interpreted in accordance with, the laws of the Province of Ontario and the federal laws of Canada effective therein.

8.6 Reviewed by Legal Counsel

Each Obligor represents and warrants to the Agent and the Lender that it:

- 8.6.1 understands fully the terms of this Agreement and the consequences of the execution and delivery of this Agreement;
- 8.6.2 has been afforded an opportunity to have this Agreement reviewed by, and to discuss this Agreement and any documents executed in connection herewith with, such lawyers and other persons as such Obligor may wish; and
- 8.6.3 has entered into this Agreement and executed and delivered all documents in connection herewith of its own free will and accord and without threat, duress or other coercion of any kind by any Person.

The Parties hereto acknowledge and agree that neither this Agreement nor the other documents or instruments executed pursuant hereto will be construed more favourably in favour of one than the other based upon which Party drafted the same, it being acknowledged that all Parties hereto contributed substantially to the negotiation and preparation of this Agreement and the other documents and instruments executed pursuant hereto or in connection herewith.

8.7 Submission to Jurisdiction

Without prejudice to the ability of any Party to enforce this Agreement in any other proper jurisdiction, each of the Parties irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of Ontario sitting in Toronto to determine all issues, whether at law or in equity arising from this Agreement. To the extent permitted by Applicable Law, each of the Parties irrevocably waives any objection (including any claim of inconvenient forum) to the venue of any legal proceeding arising out of or relating to this Agreement in the courts of that country, or that the subject matter of this Agreement may not be enforced in those courts, and irrevocably agrees not to seek, and hereby waives any right to, judicial review by any court which may be called upon to enforce the judgment of the courts referred to in this Section 8.7, of the substantive merits of any such suit, action or proceeding. To the extent a Party has or hereafter may acquire any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, that Party irrevocably waives that immunity in respect of its obligations under this Agreement.

8.8 Mutual Waiver of Jury Trial

Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert person and the Parties wish applicable provincial and federal laws to apply (rather than arbitration rules), the Parties desire that their disputes be resolved by a judge applying those Applicable Laws. Therefore, to achieve the best combination of the benefits of the judicial system and of arbitration, the Parties waive all rights to trial by jury in any action, suit, or proceeding brought to resolve any dispute, whether arising in contract, tort, or otherwise between the Agent, the Lender and any Obligor, arising out of, connected with, or related or incidental to, the relationship established between them in connection with this Agreement, the Credit Agreement or any of the other Loan Documents or the transactions related to this Agreement, the Credit Agreement or any of the other Loan Documents.

8.9 Time of Essence

Time is of the essence in all respects of this Agreement.

8.10 Unaffected Creditor Status of the Agent and the Lender

The Agent and the Lender shall at all times be treated as an "unaffected creditor" in the CCAA Proceedings and in any plan filed pursuant thereto and/or in any other insolvency, restructuring, reorganization and/or arrangement proceeding with respect to 2473304 thereafter including, without limitation, proceedings under the CCAA. 2473304 acknowledges that the Agent and the Lender have relied to their detriment on this covenant in entering into this Agreement.

8.11 Notices

Any Communication or notice must be in writing and delivered in accordance with the Credit Agreement.

8.12 Further Assurances

Each Obligor will, at its own cost, execute and deliver all further agreements and documents and provide all further assurances as may be reasonably required by the Agent to give effect to this Agreement and, without limiting the generality of the foregoing, will do or cause to be done all acts and things, execute and deliver or cause to be executed and delivered all agreements and documents and provide such assurances, undertakings and information as may be required from time to time by all regulatory or governmental bodies or stock exchanges having jurisdiction over the affairs of a Party or as may be required from time to time under applicable securities legislation.

8.13 Confirmation of Documents and Terms

Each of the Obligors hereby agrees to the terms of this Agreement and confirms to and agrees with the Agent and the Lender that its liabilities and obligations, and the Liens created under or pursuant to all Security Documents, Loan Documents and other documents and instruments executed in connection with the Credit Facilities and accommodations provided for or contemplated in the Credit Agreement continue in full force and effect in accordance with their respective terms and that all Security Documents and other Loan Documents executed by it secure and shall continue to secure the Obligations.

8.14 No Merger or Novation

All Security Documents, other Loan Documents and other documents and instruments provided to the Agent and the Lender or otherwise entered into by the Obligors prior to the date hereof in connection with the Credit Facilities and accommodations provided for or contemplated in the Existing Credit Agreement, there being no novation or merger of the Existing Credit Agreement (as amended pursuant to this Agreement), any of the Agent's Liens under the Security Documents or any of the other Loan Documents, and all Obligations continue under the Existing Credit Agreement (as amended by this Agreement) and the other Loan Documents.

8.15 Amendment and Waiver

No supplement, modification, amendment, waiver, discharge or termination of this Agreement is binding unless it is executed in writing by the Party to be bound. No waiver of, failure to exercise or delay in exercising, any provision of this Agreement constitutes a waiver of any other provision (whether or not similar) nor does such waiver constitute a continuing waiver unless otherwise expressly provided.

8.16 Assignment and Enurement

No Obligor will be entitled to assign this Agreement or any right or obligation under this Agreement without the prior consent of the Agent. The Agent may assign this Agreement and any of their rights and obligations under this Agreement without the consent of or notice to any Obligor. This Agreement enures to the benefit of and is binding upon the Parties and their respective successors and permitted assigns.

8.17 Severability

Each provision of this Agreement is distinct and severable. If any provision of this Agreement, in whole or in part, is or becomes illegal, invalid or unenforceable in any jurisdiction by a court

of competent jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect:

8.17.1 the legality, validity or enforceability of the remaining provisions of this Agreement;
or

8.17.2 the legality, validity or enforceability of that provision in any other jurisdiction.

8.18 Counterparts

This Agreement may be executed and delivered by the Parties in one or more counterparts, each of which when so executed and delivered will be an original and such counterparts will together constitute one and the same instrument.

8.19 Electronic Signatures

Delivery of this Agreement by facsimile or other electronic transmission (including through "pdf" format via email) constitutes valid and effective delivery.

8.20 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Existing Credit Agreement or any other Loan Document, the provisions of this Agreement shall prevail.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK.

Each of the Parties has executed and delivered this Agreement effective as of the 6th day of June, 2016.

2473304 ONTARIO INC.

Per

Name:

Title:



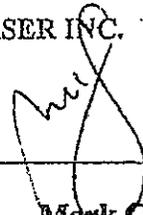
MARK SUN
VP and CFO

GRAFTON-FRASER INC.

Per

Name:

Title:



Mark G. Sun
Vice President & CFO
Grafton-Fraser Inc.

CANADIAN IMPERIAL BANK OF
COMMERCE, as Agent and as Lender

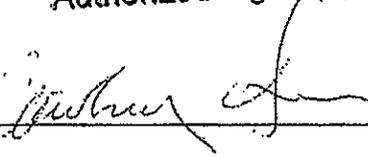
Per



Name:
Title:

Italo Fortino
Authorized Signatory

Per



Name:
Title:

Courtney Savage
Authorized Signatory

**SCHEDULE 1
EXISTING INDEBTEDNESS**

Existing Indebtedness under the Credit Agreement – As at 4:00 p.m. (EDT) on June 3, 2016:

		CAD\$	CAD\$	USD\$	USD\$
		Grafton- Fraser	2473304	Grafton- Fraser	2473304
1	<u>Principal Loan Balance , June 3, 2016</u>	26,129,238.99	7,471,469.60	(6,182.38)	(6.92)
2	<u>Interest and fees outstanding</u>				
	Interest and fees paid to:	31-May	31-May	31-May	31-May
	Days to Calculate interest	3	3	3	3
	Interest to June 03 - Prime Loan	5,797.29	1,662.51	-	-
	Wire fees on advances	2.00	-	-	-
	Unused Line fee,	180.59	563.28	-	-
	Monthly Collateral Management fee	1,000.00	-	-	-
	Total balances owing	26,136,218.87	7,473,695.39	(6,182.38)	(6.92)

SCHEDULE 2
APPROVED CCAA CASH FLOW

SEE ATTACHED

2016 JNY Cash Flows



JNY - Sale / Wind-Down Cash Flow Forecast

(\$000's)	Pre-Filing		Liquidation Period												Wind Down	Total	
	May 28	Jun 04	Jun 11	Jun 18	Jun 25	Jul 02	Jul 09	Jul 16	Jul 23	Jul 30	Aug 06	Aug 13	Aug 20	Aug 27			
Comps	(51%)	(49%)	(56%)														
Receipts																	
Retail	\$ 876	\$ 619	\$ 530	\$ 214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity Bid Inv	-	-	-	8,023	-	-	-	-	-	1,416	-	-	-	-	-	-	-
Fixtures	-	-	-	-	-	-	-	-	-	250	-	-	-	-	-	-	-
	876	619	530	8,237	-	-	-	-	-	1,666	-	-	-	-	-	-	-
Operating Disbursements																	
Rent	-	(536)	-	-	-	(536)	-	-	-	-	(536)	-	-	-	-	-	-
Royalty	-	-	-	-	-	(183)	-	-	-	(425)	-	-	-	-	(690)	-	-
Payroll	(155)	(60)	(306)	(59)	(139)	(84)	-	(59)	-	(110)	-	-	-	-	-	-	-
Merch/Duty/Freight	(99)	(25)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Operating	(10)	(23)	(23)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	-	-	-	-	-	-	-
Sales Tax	-	(75)	-	-	-	(150)	-	-	-	-	23	-	-	-	106	170	-
CC Fees	-	(46)	-	-	-	(29)	-	-	-	-	-	-	-	-	-	-	-
	(264)	(766)	(329)	(70)	(150)	(993)	(11)	(70)	(11)	(546)	(513)	-	-	106	(520)	-	-
Net Operating CF	412	(147)	201	8,167	(150)	(993)	(11)	(70)	(11)	1,120	(513)	-	-	106	(520)	-	-
Non-Operating Disb.																	
Prof Fees	(136)	(435)	(231)	(152)	(102)	(149)	(119)	(90)	(57)	(73)	(40)	(183)	(51)	(45)	(194)	-	-
Interco	(186)	-	-	-	-	-	-	-	-	(50)	-	-	(50)	-	1,432	-	-
Rent Recovery	-	-	-	-	46	95	95	95	95	95	95	95	95	48	-	-	-
Consultant	(93)	-	(23)	-	(15)	-	(15)	-	(15)	-	(15)	-	(15)	-	(7)	-	-
Interest	-	(29)	-	-	-	(44)	-	-	-	(9)	-	-	-	-	(7)	-	-
Inventory Count	-	-	-	-	(50)	-	-	-	-	-	-	-	-	-	-	-	(50)
Deposits	-	-	(100)	-	-	-	-	-	-	-	-	-	-	-	50	50	-
Stat Holidays	-	-	-	-	-	(15)	-	-	-	-	(15)	-	-	-	-	-	(30)
GSO Payment	-	-	-	-	-	-	-	-	-	(250)	-	-	-	-	-	-	(250)
	(415)	(463)	(354)	(152)	(119)	(113)	(38)	5	24	(288)	26	(88)	(20)	45	1,281	-	-
Net Cash Flow	\$ (2)	\$ (610)	\$ (153)	\$ 8,015	\$ (269)	\$ (1,106)	\$ (49)	\$ (65)	\$ 13	\$ 832	\$ (467)	\$ (88)	\$ (20)	\$ 151	\$ 761	-	-
Opening Revolver	\$ 923	\$ 6,925	\$ 7,535	\$ 7,666	\$ 7,695	\$ 7,965	\$ 1,548	\$ 1,597	\$ 1,662	\$ 1,648	\$ 816	\$ 1,303	\$ 1,391	\$ 1,411	\$ 1,260	-	-
Revolver Draw (Repay)	-	610	153	(8,015)	269	1,106	49	65	(13)	(832)	467	88	20	(151)	(761)	-	-
Change in Cash on Hand	0	-	-	8,023	-	(7,523)	-	-	-	-	-	-	-	-	(500)	-	-
Ending Revolver	\$ 6,925	\$ 7,535	\$ 7,688	\$ 7,696	\$ 7,965	\$ 1,548	\$ 1,597	\$ 1,662	\$ 1,648	\$ 816	\$ 1,303	\$ 1,391	\$ 1,411	\$ 1,260	\$ -	-	-
Cash on Hand	\$ -	\$ -	\$ -	\$ 8,023	\$ 8,023	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 600	\$ 500	\$ -	-	-
Avail. (Shortfall)	\$ 2,464	\$ 1,684	\$ 1,008	\$ 785	\$ 625	\$ (491)	\$ (639)	\$ (604)	\$ (591)	\$ (691)	\$ (1,303)	\$ (1,391)	\$ (1,411)	\$ (1,260)	\$ 0	-	-

The Cash Flow is based on the assumption that the GOB sale begins on or around June 14th. Thereafter, proceeds of sales are for the account of the Agent and are not reflected in this cash flow.

Expenses that are the obligation of Agent, but which are paid by the Company, are assumed to be reimbursed as incurred and consequently are not reflected in the Cash Flow, however timing differences may occur.

**SCHEDULE 3
EXISTING SECURITY**

- 1 a general security agreement dated as of February 12, 2016 executed by Grafton-Fraser in favour of the Agent;
- 2 a general security agreement dated as of February 12, 2016 executed by 2473304 in favour of the Agent;
- 3 a guarantee agreement dated as of February 12, 2016 executed by Grafton-Fraser and 2473304 in favour of the Agent;
- 4 an intellectual property security agreement dated as of February 12, 2016 executed by Grafton-Fraser in favour of the Agent;
- 5 a notice of intention to give security under Section 427 of the *Bank Act* (Canada) dated as of February 12, 2016 with respect to Grafton-Fraser and registered with the agency of the Bank of Canada for the Province of Ontario on January 25, 2016 under the number 01304227;
- 6 a notice of intention to give security under Section 427 of the *Bank Act* (Canada) dated as of February 12, 2016 with respect to 2473304 and registered with the agency of the Bank of Canada for the Province of Ontario on January 25, 2016 under the number 01304228;
- 7 an application for credit and promise to give bills of lading, warehouse receipts or security under Section 427 of the *Bank Act* (Canada) dated as of February 12, 2016 and executed by Grafton-Fraser in favour of the Agent;
- 8 an application for credit and promise to give bills of lading, warehouse receipts or security under Section 427 of the *Bank Act* (Canada) dated as of February 12, 2016 and executed by 2473304 in favour of the Agent;
- 9 an agreement as to powers of the Agent in relation to security under Section 427 of the *Bank Act* (Canada) dated as of February 12, 2016 and executed by Grafton-Fraser in favour of the Agent;
- 10 an agreement as to powers of the Agent in relation to security under Section 427 of the *Bank Act* (Canada) dated as of February 12, 2016 and executed by 2473304 in favour of the Agent;
- 11 a special security agreement in respect of specified property or classes of property described in Section 427 of the *Bank Act* (Canada) dated as of February 12, 2016 and executed by Grafton-Fraser in favour of the Agent;

- 12 a special security agreement in respect of specified property or classes of property described in Section 427 of the *Bank Act* (Canada) dated as of February 12, 2016 and executed by 2473304 in favour of the Agent;
- 13 a deed of hypothec executed by 2473304 on February 10, 2016 in favour of the Agent as hypothecary representative;
- 14 a blocked account agreement dated as of February 12, 2016 among Grafton-Fraser, the Agent and Canadian Imperial Bank of Commerce, in its capacity as the provider of banking services;
- 15 a blocked account agreement dated as of February 12, 2016 among Grafton-Fraser, the Agent and Canadian Imperial Bank of Commerce, in its capacity as the provider of banking services;
- 16 a blocked account agreement dated as of February 12, 2016 among 2473304, the Agent and The Bank of Nova Scotia, in its capacity as the provider of banking services;
- 17 a blocked account agreement dated as of February 12, 2016 among 2473304, the Agent and The Bank of Nova Scotia, in its capacity as the provider of banking services;
- 18 a blocked account agreement dated as of March 17, 2016 among Grafton-Fraser, the Agent and The Toronto-Dominion Bank, in its capacity as the provider of banking services;
- 19 a blocked account agreement dated as of April 29, 2016 among Grafton-Fraser, the Agent and Royal Bank of Canada, in its capacity as the provider of banking services;
- 20 a blocked account agreement dated as of April 29, 2016 among 2473304, the Agent and Royal Bank of Canada, in its capacity as the provider of banking services;
- 21 a blocked account agreement dated as of May 5, 2016 among Grafton-Fraser, the Agent and Bank of Montreal, in its capacity as the provider of banking services;
- 22 a blocked account agreement dated as of May 5, 2016 among 2473304, the Agent and Bank of Montreal, in its capacity as the provider of banking services.

**SCHEDULE 4
NON-LENDER ACCOUNTS**

Owner	Type of Account	Bank	Reason for Exclusion from Control/ Requirement
Grafton-Fraser Inc.	Store depository account	Royal Bank of Canada	06012-177-597-2
Grafton-Fraser Inc.	Main Account	Bank of Montreal	0002-1207-975
Grafton-Fraser Inc.	Operating account	Bank of Montreal	0002-1915-859
Grafton-Fraser Inc.	Operating account	Bank of Montreal	0002-1915-867
Grafton-Fraser Inc.	Operating account	Bank of Montreal	0002-1915-875
Grafton-Fraser Inc.	US\$ Operating account	Bank of Montreal	0002-4691-263
2473304 Ontario Inc.	Store Depository Account (JNY)	Royal Bank of Canada	00002-109-9423
2473304 Ontario Inc.	Main Account	Bank of Montreal	0002-1883-682
2473304 Ontario Inc.	Expense Account	Bank of Montreal	0002-1883-690
2473304 Ontario Inc.	Disbursements Account	Bank of Montreal	0002-1883-703
2473304 Ontario Inc.	Payroll Account	Bank of Montreal	0002-1883-711
2473304 Ontario Inc.	Vendors Account	Bank of Montreal	0002-1883-738
2473304 Ontario Inc.	USD Account	Bank of Montreal	0002-4671-940

**SCHEDULE 5
GFI CASH FLOW**

SEE ATTACHED

REDACTED

REDACTED

SCHEDULE 6
EXISTING DEFAULTS

1. Grafton-Fraser has failed to make payment in respect of Material Indebtedness, namely under the Term Loan Agreement, and is otherwise in default under the Term Loan Agreement, as specified in the Term Forbearance Agreement, contrary to Section 7.1 (f) and (g) of the Existing Credit Agreement.

2. 2473304 has acted in furtherance of one or more matters enumerated in s. 7.1(h) of the Existing Credit Agreement contrary to Section 7.1(h)(v) of the Existing Credit Agreement.

SCHEDULE 7
FORM OF TERM FORBEARANCE AGREEMENT

SEE ATTACHED

SCHEDULE 8

MINIMUM RECEIPT AND MAXIMUM DISBURSEMENT COVENANT LEVELS

SEE ATTACHED

Company Projected Receipts/Disbursements
Minimum/Maintenance Covenant Levels

	JNY															
Week ending:	28-May	4-Jun	11-Jun	18-Jun	25-Jun	2-Jul	9-Jul	16-Jul	23-Jul	30-Jul	6-Aug	13-Aug	20-Aug	27-Aug		
Weekly Projected Receipts (excluding liquidator payments)	676	619	530	214												
Projected cumulative receipts	676	1,295	1,825	2,039	2,039	2,039	2,039	2,039	2,039	2,039	2,039	2,039	2,039	2,039		
10% Variance	68	130	183	204	204	204	204	204	204	204	204	204	204	204		
Greater of \$100,000 or 10% Variance	100	130	183	204	204	204	204	204	204	204	204	204	204	204		
Covenant #1: Minimum Cumulative Receipts	576	1,166	1,643	1,835	1,835	1,835	1,835	1,835	1,835	1,835	1,835	1,835	1,835	1,835		
Week ending:	28-May	4-Jun	11-Jun	18-Jun	25-Jun	2-Jul	9-Jul	16-Jul	23-Jul	30-Jul	6-Aug	13-Aug	20-Aug	27-Aug		
Operating Disbursements	264	766	329	70	150	993	11	70	11	546	513					
Non-Operating Disbursements	415	463	354	152	119	113	38	(5)	(24)	288	(26)	88	20	(106)		
Weekly Projected Disbursements	679	1,229	683	222	269	1,106	49	65	(13)	834	487	88	20	(151)		
Projected cumulative disbursements	679	1,908	2,591	2,813	3,082	4,188	4,237	4,302	4,289	5,123	5,610	5,698	5,718	5,567		
10% Variance	68	191	259	281	308	419	474	430	429	512	561	570	577	557		
Greater of \$100,000 or 10% Variance (Max \$300,000)	100	191	259	281	300	300	300	300	300	300	300	300	300	300		
Covenant #2: Maximum cumulative Disbursements	779	2,099	2,850	3,094	3,382	4,488	4,837	4,692	4,598	5,423	5,910	5,998	6,018	5,867		

REDACTED

Tab E

THIS IS EXHIBIT "E"

*referred to in the Affidavit of
Mark Sun sworn before me this
6th day of June 2016*

A handwritten signature in black ink, appearing to read "Dylan Choche". The signature is written in a cursive style with a horizontal line underneath it.

A Commissioner for Taking Affidavits

Dylan Choche

**\$50,000,000
AMENDED AND RESTATED CREDIT FACILITY**

**GRAFTON-FRASER INC.,
As Borrower**

- and -

**THE GUARANTORS THAT MAY BECOME FROM TIME TO TIME
PARTIES HERETO**

- and -

**OFS AGENCY SERVICES, LLC,
as Servicing Agent**

- and -

**BTD CP HOLDINGS LP,
as Administrative Agent and
Lead Arranger**

- and -

**THE LENDERS FROM TIME TO TIME
PARTIES HERETO**

Credit Agreement

**Made as of May 24, 2007, as amended and
restated as of September 10, 2008 and as
further amended and restated as of June
16, 2009**

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AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT made as of the
16th day of June, 2009.

B E T W E E N:

GRAFTON-FRASER INC.,
a corporation amalgamated under the laws of the
Province of Ontario, as borrower

(hereinafter referred to as the "**Borrower**"),

- and -

**THE GUARANTORS THAT MAY BECOME
FROM TIME TO TIME PARTIES HERETO,**

(hereinafter referred to as the "**Guarantors**"),

- and -

**THE LENDERS FROM TIME TO TIME
PARTIES HERETO,**

(hereinafter referred to as the "**Lenders**"),

- and -

OFS AGENCY SERVICES, LLC,
a limited liability company formed under the laws
of the State of Delaware, as Servicing Agent for the
Lenders

(hereinafter referred to as the "**Servicing Agent**")

- and -

BTD CP HOLDINGS LP,
a limited partnership formed under the laws of the
State of Delaware, as Administrative Agent and
Lead Arranger, formerly known as GSO CP
Holdings LP

(hereinafter referred to in its own capacity as "**BTD
LP**" and in its capacity as administrative agent on
behalf of the Lenders, as the "**Administrative
Agent**"),

WHEREAS GF Acquisition Corp., the predecessor by amalgamation to the Borrower, and GSO Special Situations Fund LP are parties to a credit agreement dated as of May 24, 2007 with the guarantors that may become from time to time parties thereto and the lenders that may become from time to time parties thereto (the "**Original Credit Agreement**");

AND WHEREAS the original lenders party to the Original Credit Agreement subsequently assigned their Participations (as such term is hereinafter defined) in the aggregate Outstanding Advance (as such term is hereinafter defined) to the Lenders;

AND WHEREAS on September 10, 2008, GSO Special Situations Fund LP resigned as administrative agent and lead arranger under the Original Credit Agreement and BTD LP was appointed to such positions;

AND WHEREAS on September 10, 2008, OFS Agency Services, LLC was appointed the Servicing Agent and agreed to assume certain responsibilities previously under the responsibility of the administrative agent;

AND WHEREAS on September 10, 2008, the parties entered into an amended and restated credit agreement (the "**Existing Credit Agreement**") to reflect the resignation and appointments referred to above and certain other amendments set forth therein;

AND WHEREAS the parties wish to enter into this amended and restated agreement to, among other things, amend certain covenants of the Borrower set forth in the Existing Credit Agreement and the Interest Rate payable on the Advance;

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the premises, the covenants herein contained and other valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 **INTERPRETATION**

1.1 **Definitions**

In this Agreement:

"**Accounts**" means the accounts kept by the Servicing Agent pursuant to Section 2.14 to record the Borrower's liabilities to the Lenders under this Agreement;

"**Acquired Indebtedness**" of any Person means Indebtedness of any other Person (including any Subsidiary) existing at the time, and continuing to exist immediately after the time, such other Person becomes a Guarantor or is merged into, or consolidated or amalgamated with, such Person or that is assumed in connection with the acquisition of assets from such other Person and, in each case, not incurred by such other Person in connection with, or in anticipation or contemplation of, such other Person becoming a Guarantor or such merger, consolidation, amalgamation or acquisition;

"Administrative Agent" means BTD LP, in its capacity as administrative agent for the Lenders hereunder, or any successor Administrative Agent appointed pursuant to Section 11.6(c);

"Advance" means the \$50,000,000 advanced by the Lenders to the Borrower pursuant to the Drawdown Notice referred to in Section 2.3, as such amount may be reduced from time to time in the event of any prepayments made by the Borrower pursuant to Section 2.6 or Section 2.8 and as such amount may be increased from time to time on Interest Payment Dates falling on or prior to the first anniversary of the Effective Date pursuant to Section 2.10(b);

"Affiliate" means an affiliated body corporate, partnership, joint venture or other Person and, for the purposes of this Agreement, (i) one body corporate, partnership, joint venture or other Person is affiliated with another if one such body corporate, partnership, joint venture or other Person is the Subsidiary of or is Controlled by the other or both are Subsidiaries of the same body corporate, partnership, joint venture or other entity or each of them is Controlled by the same Person and (ii) if two bodies corporate, partnerships, joint ventures or other Persons are affiliated with the same body corporate, partnership, joint venture or other Person at the same time, they are deemed to be affiliated with each other;

"Affiliate Transaction" has the meaning specified in Section 6.2(i);

"Agents" means, collectively, the Servicing Agent and the Administrative Agent and each individually an "Agent";

"Agreement" means this agreement and all Schedules attached hereto, as the same from time to time may be amended, restated, replaced or superseded in accordance with the terms hereof;

"Applicable Law" means, with respect to any Person, property, transaction or event, all present or future applicable laws, statutes, regulations, rules, orders, codes, treaties, conventions, judgments, awards, determinations and decrees, official policies, guidelines, rulings, interpretation, bulletins and directives of any Governmental Authority (whether or not having the force of law) or court of competent jurisdiction in any applicable jurisdiction, provided that in the case of any of the foregoing that do not have the force of law, the same are nevertheless applicable to or binding on such Person or such Person's property;

"Applicable Pension Legislation" means, at any time, any applicable Canadian federal or provincial pension legislation, including all regulations made thereunder and all rules, regulations, rulings, guidelines, directives and interpretations made or issued by any Governmental Authority in Canada having or asserting jurisdiction in respect thereof, each as amended or replaced from time to time;

"Arm's Length" has the meaning ascribed thereto for the purposes of the *Income Tax Act* (Canada) in effect as of the date hereof;

"Asset Disposition Trigger Event" means any Asset Sale made by the Borrower or a Guarantor;

"Asset Sale" means any direct or indirect sale, issuance, conveyance, assignment, transfer, lease or other disposition (including by way of merger, consolidation or Sale and Lease-Back Transaction), other than to the Borrower or any Guarantor, in any single transaction or series of related transaction of (a) any Stock of or other equity interest in any Guarantor, or (b) any Property of the Borrower or of any Guarantor; provided that an Asset Sale shall not include: (i) a transaction or series of related transactions for which the Borrower and any Guarantor or any of them receive aggregate consideration of less than \$500,000, (ii) the sale, lease, conveyance, disposition or other transfer of all or substantially all of the assets of the Borrower or any Guarantor as permitted by Section 6.2(d) or Section 9.1, (iii) any disposition of any Cash Equivalents for proceeds equal to the greater of their face or notional amount and their fair market value, (iv) the sale or other disposition of inventory in the ordinary course of business, (v) any sales of property or equipment that has become worn out, obsolete or damaged or otherwise unsuitable for use in connection with the business of the Borrower or a Guarantor, as the case may be, where the proceeds of sale are immediately reinvested in the business of the Borrower or Guarantor, (vi) any sale or discount of receivables in the ordinary course of business on terms customary for transactions of such nature, excluding any securitization transaction, (vii) any transaction consummated in compliance with Section 6.2(h), and (viii) any leases or licences of assets not otherwise prohibited hereunder;

"Asset Sale Proceeds" means, with respect to any Asset Sale, (i) cash received by the Borrower or any Guarantor from such Asset Sale (including cash received as consideration for the assumption of liabilities incurred in connection with or in anticipation of such Asset Sale), after (A) payment of all reasonable brokerage commissions, underwriting and other fees (including legal and accounting fees) and expenses related to such Asset Sale, and (B) deduction of appropriate amounts to be provided by the Borrower or a Guarantor as a reserve, in accordance with GAAP, against any liabilities associated with the assets sold or disposed of in such Asset Sale and retained by the Borrower or a Guarantor after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with the assets sold or disposed of in such Asset Sale, and (ii) promissory notes and other non-cash consideration received by the Borrower or any Guarantor from such Asset Sale or other disposition upon the liquidation or conversion of such notes or non-cash consideration into cash or Cash Equivalents;

"Attributable Indebtedness" means, with respect to any Sale and Lease-Back Transaction, as at the time of determination, the greater of (i) the fair market value of the property subject to such arrangement (as reasonably determined by the Lenders) and (ii) the present value of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale and Lease-Back Transaction (including any period for which such lease has been extended) or until such lease may be terminated by the lessee without penalty (or if terminable with a penalty, the aforesaid present value shall include the present value of such penalty). Such present value shall be calculated

using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP;

"Banking Day" means a day, other than a Saturday or a Sunday or other day on which banks are required or authorized to close in any of Toronto, Canada, New York, New York, or London, England;

"Borrower" means Grafton-Fraser Inc., the corporation existing as a result of the amalgamation of GF Acquisition Corp. and Grafton-Fraser Inc., and its permitted successors and assigns;

"Borrower's Security" has the meaning specified in Section 7.1;

"Borrower's Security Documents" has the meaning specified in Section 7.1;

"Business" means the business of operating as a specialty retailer of menswear, tailored clothing and big and tall men's apparel, including operating under the Tip Top Tailors, Mr. Big & Tall, George Richards Big & Tall, Kingsport, Kingsport Clothier, Stonehouse and Grafton & Co. trademarks, carried on, or to be carried on, by the Borrower and its Subsidiaries;

"Canadian Dollars" and the symbols "\$", "CAD" and "Cdn.\$" each means the lawful currency of Canada in immediately available funds;

"Capital Asset" means, with respect to any Person, any tangible fixed or capital asset owned or leased (in the case of a Capital Lease) by such Person, or any expense incurred by such Person that is required by GAAP to be reported as a non-current asset on such Person's balance sheet;

"Capital Expenditures" means, with respect to any Person and any period, all amounts expended by such Person during such period to acquire or construct or as may be otherwise expended, in respect of Capital Assets (including all amounts paid or accrued on Capital Leases and other Indebtedness incurred or assumed to acquire or construct or be expended on Capital Assets) net of tenant allowances, required to be capitalized in accordance with GAAP;

"Capital Leases" shall mean any and all lease obligations of a lessee that, in accordance with GAAP, are required to be capitalized;

"Cash Equivalents" means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the Government of Canada or issued by any agency or instrumentality thereof and backed by the full faith and credit of Canada, in each case maturing within one year from the date of acquisition thereof; (b) marketable direct obligations issued by any province or territory of Canada or any political subdivision of any such province or territory or any agency or instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest rating obtainable from either S&P or Moody's; provided that, in the event that any such obligation is not rated by S&P or Moody's, such obligation shall have the

highest rating from DBRS Limited; (c) investment in time deposit accounts, term deposit accounts, money market deposit accounts, certificates of deposit or bankers' acceptances maturing within one year from the date of acquisition thereof issued by any bank organized or licensed to carry on business under the laws of Canada or any Canadian branch of a foreign bank having at the date of acquisition thereof combined capital and surplus of not less than \$1,000,000,000; (d) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (a) above entered into with any bank meeting the qualifications specified in clause (c) above; and (f) investments in money market funds that invest substantially all their assets in securities of the types described in any of clauses (a) through (d) above;

"Change of Control" means (a) any sale, assignment, transfer or other disposition by StonehouseCo and/or the Parent that results in any Person other than the Parent acquiring an aggregate of more than 50% of the outstanding Voting Securities of the Borrower (calculated as of the date of the sale, assignment, transfer or other disposition) to one or more Persons that are not Affiliates of the Parent, (b) any sale, assignment, transfer or other disposition of all or substantially all of the assets of the Borrower or its successor to one or more Persons that are not Affiliates of the Parent, (c) any transaction or series of transactions resulting in a Guarantor ceasing to be a wholly-owned Subsidiary of the Borrower, or (d) any other merger, consolidation, amalgamation or other transaction that results in a Person other than the Parent or its Affiliates having Control of the Borrower;

"Claims" has the meaning specified in Section 10.4(a);

"Closing Date" means May 24, 2007;

"Collateral" means, collectively, all of the Property subject to the Liens, or intended to be subject to the Liens, created by the Security Documents, including any such Property that is or is intended to be subject to the Liens as a result of Borrower's execution and delivery of this Agreement, the Original Agreement and the Existing Agreement;

"Commitment" means, with respect to a Lender, the amount set forth opposite the name of such Lender on Schedule 1.1(a);

"Consolidated Leverage Ratio" means, at any time, the ratio of the Borrower's Senior Indebtedness as at such time to LTM EBITDA for the twelve month period then ended;

"Consolidated Net Income" means, with respect to any Person, for any period, the aggregate of the Net Income of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP;

"Contractual Obligation", of any Person, means any indenture, note, lease, loan agreement, security, deed of trust, mortgage, security agreement, guaranty, instrument, contract, agreement or other form of contractual obligation or undertaking to which such Person is a party or by which such Person or any of its Property is bound;

"Control" and its derivatives means, the possession of the power to elect a majority of the board of directors of a Person, directly or indirectly, and whether through the

ownership or control of voting securities, voting rights, contract or otherwise, with or without the cooperation of others;

"Counsel to the Borrower" means Osler, Hoskin & Harcourt LLP or such other firm of legal counsel as the Borrower and any Guarantor may from time to time designate with the approval of the Lenders, such approval not to be unreasonably withheld;

"Cumulative Free Cash Flow" means, at any date, EBITDA for the prior fiscal year, as determined in accordance with this Agreement, less the sum of the Borrower's cash interest payment obligations, Capital Expenditures and cash Taxes actually paid by the Borrower or any Subsidiary of the Borrower during each of the Borrower's fiscal years;

"Default" means an event or condition that constitutes an Event of Default or that, with the giving of notice or the passage of time, the making of any determination, the satisfaction of any other condition or any combination thereof as provided for herein, would constitute an Event of Default;

"Disqualified Capital Stock" of any Person means any Stock of such Person or a Subsidiary thereof that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the Maturity Date, for cash or securities constituting Indebtedness. Without limitation of the foregoing, Disqualified Capital Stock shall be deemed to include any preferred stock of a Person or a Subsidiary of such Person, with respect to either of which, under the terms of such preferred stock, by agreement or otherwise, such Person or Subsidiary is obligated to pay current dividends or distributions in cash during the period prior to the Maturity Date; provided, however, that preferred stock of a Person or any Subsidiary thereof that is issued with the benefit of provisions requiring a change of control offer to be made for such preferred stock in the event of a change of control of such Person or Subsidiary shall not be deemed to be Disqualified Capital Stock solely by virtue of such provisions;

"Drawdown" means a drawdown of an Advance;

"Drawdown Notice" means a notice substantially in the form set out in Exhibit A;

"EBITDA" means, for the Borrower on a consolidated basis and for any period, without duplication, the amount equal to Net Income less interest income, income tax recoveries and any non-cash income included in Net Income and:

- (a) plus, to the extent deducted from Net Income, and without duplication, (i) interest expense, income tax expenses depreciation expense, amortization expense and other non-cash expenses (including any non-cash straight line rent adjustments); (ii) up to \$600,000 per annum of Management Fees paid or accrued by the Borrower to GB Merchant Partners LLC, and (iii) for purposes of any determination hereunder for and including all periods commencing on the

beginning of fiscal 2009 to the fiscal period ending July 31, 2010, Termination and Discontinued Store Costs not to exceed \$500,000 in the aggregate;

- (b) less, to the extent added to Net Income, and without duplication, year-end accounting adjustments done in accordance with GAAP;

provided that foreign exchange gains or losses, including gains or losses on the disposition of assets outside the ordinary course of business and restructuring charges, shall not be included in EBITDA;

"Effective Date" means the date on which the conditions set forth in Section 4.1 have been satisfied or waived by the Lenders;

"Environmental Claims" means any and all enforcement, clean-up, removal or other governmental or regulatory actions, orders, directions or proceedings instituted, pending or completed or, to the best of the knowledge of the Borrower and any Guarantor, threatened or anticipated pursuant to any Environmental Laws and all claims made or, to the best of the knowledge of the Borrower and any Guarantor, threatened, by any third party against the Borrower or any Guarantor, any property of the Borrower or any Guarantor or any of their Subsidiaries or any party having charge, management or control of any property of any of the Borrower, any Guarantor or their Subsidiaries relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any violation or alleged violation of Environmental Laws;

"Environmental Laws" means any present or future Applicable Laws (including, for greater certainty, common laws) for the protection of the environment or human health and safety, present or future, including all Permits from any Governmental Authority;

"Equivalent U.S. \$ Amount" means, on any day with respect to any amount of Canadian Dollars, the amount of United States dollars which would be required to buy such amount of Canadian Dollars at the rate of exchange quoted by the Bank of Canada (or if not quoted, the spot rate of exchange quoted for wholesale transactions by the Administrative Agent in accordance with its standard money market practices) at approximately noon (Toronto time) on the Banking Day such rate is to be determined;

"Event of Default" means any of the events described in Section 8.1;

"Equivalent Amount" on any given date in one currency (the **"first currency"**) of any amount denominated in another currency (the **"second currency"**) means the amount of the first currency which could be purchased with such amount of the second currency at the rate of exchange quoted by the Reference Lender at 11:00 a.m. (Toronto time) on such date for the purchase of the first currency with the second currency;

"Existing Credit Agreement" has the meaning set out in the recitals;

"Existing Defaults" has the meaning set out in Section 12.2;

"Facility" means the non-revolving credit facility in an aggregate principal amount of \$50,000,000 made available to the Borrower by the Lenders as set forth in Article 2;

"Financial Statements" means, with respect to any accounting period for any Person, statements of income, retained earnings and cash flows of such Person for such period, and a balance sheet of such Person as of the end of such period, setting forth in each case in comparative form figures for the then current budget and for the corresponding period in the preceding fiscal year if such period is less than a full fiscal year or, if such period is a full fiscal year, corresponding figures from the preceding annual audit, all prepared in reasonable detail and in accordance with GAAP;

"GAAP" means those generally accepted accounting principles consistently applied in Canada as established by the Canadian Institute of Chartered Accountants or its successor;

"Government Lists" means (i) the "Specially Designated Nationals and Blocked Persons Lists" maintained by OFAC, (ii) any other list of terrorists, terrorist organizations or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC that a Lender notified Borrower in writing is now included in "Governmental Lists", or (iii) any similar lists maintained by the United States Department of State, the United States Department of Commerce or any other Governmental Authority or pursuant to any Executive Order of the President of the United States of America that the Administrative Agent notifies the Borrower in writing is now included in "Governmental Lists".

"Governmental Authority" means any federal, state, provincial, local, municipal, foreign or other government, and any body exercising or entitled or purporting to exercise any administrative, executive, judicial, legislative or regulatory or taxing authority or power, including any governmental department, commission, board, bureau agency or instrumentality and any other governmental, regulatory or fiscal authority;

"Governmental Charges" means, with respect to any Person, all levies, assessments, fees, claims, penalties, interest or other charges imposed by any Governmental Authority upon such Person or any of its property or otherwise payable by such Person;

"Guarantees" means the guarantees to be entered into by a Guarantor in favour of Administrative Agent for the benefit of the Lenders hereunder, as the same may be amended, supplemented or restated from time to time, and **"Guarantee"** means any of them;

"Guarantors" means any Subsidiary of the Borrower that becomes a guarantor from time to time hereunder, as required by Section 6.2(n), and each of their respective permitted successors and assigns, and **"Guarantor"** means any of them;

"Guarantors' Security" has the meaning specified in Section 7.2;

"Guarantors' Security Documents" has the meaning specified in Section 7.2;

"Hazardous Material" means any contaminant, pollutant or substance regulated under any Environmental Laws and, without restricting the generality of the foregoing, includes any pollutant, contaminant, waste, hazardous waste, deleterious substance or dangerous good that causes or may cause deleterious adverse effect, harm or degradation to the surrounding environment or injury to human health or that is present in such quantity or state that it contravenes any Environmental Laws or gives rise or could give rise to any liability or obligation under any Environmental Law;

"Headquarters and Warehouse" means the property municipally known as 44 Apex Road, Toronto ON, M6A 2V2 that is sub-leased by Boca L.P. to the Borrower;

"Hedging Obligations" means, with respect to any Person, the net payment obligations of such Person outstanding under (a) interest rate or currency swap agreements, interest rate or currency cap, collar or floor agreements and (b) any other agreements or arrangements entered into in order to protect such Person against fluctuations in commodity prices, interest rates or currency exchange rates;

"Indebtedness" of any Person means, at any date, without duplication, (i) all obligations of such Person for borrowed money, including by way of overdraft and drafts or orders accepted as representing extensions of credit, (ii) all obligations of such Person evidenced by bonds, debentures, the face amount of all bankers' acceptances, letters of credit, letters of guarantee and similar instruments, notes, letters of credit or other similar instruments, including obligations under Sale and Lease-Back Transactions, (iii) all obligations of such Person to pay the deferred purchase price of property or services, (iv) all obligations of such Person as lessee which are capitalized in accordance with GAAP, including Capital Leases, (v) all indebtedness, liabilities and obligations secured by a Lien on any asset of such Person, whether or not the same is otherwise indebtedness, liabilities or obligations of such Person, which, for greater certainty will not include rent paid or payable by the Borrower in the ordinary course under its commercial lease for its retail merchandising locations, (vi) all indebtedness, liabilities and obligations of others which is, directly or indirectly, guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire, (vii) all indebtedness, liabilities and obligations in respect of financial instruments which are classified as a liability on the balance sheet of such Person, and (viii) all obligations of such Person to otherwise assure a creditor against loss, (ix) all Hedging Obligations and (x) all obligations of such Person for trade accounts and contracts;

"Indemnitee" has the meaning specified in Section 10.4(a);

"Insurance Trigger Event" means the failure of the Borrower or any Guarantor to reinvest in assets used in the Business, within 365 days of receipt, any insurance (other than proceeds of life insurance that the Borrower has obtained with respect to a senior executive of the Borrower and that are applied to the purchase of Stock of the Borrower from the estate of such senior executive pursuant to Section 6.2(h) or expropriation proceeds (x) in excess of \$750,000, or (y) at a time when a Default or Event of Default has occurred and is continuing;

"Intercreditor Agreement" means the intercreditor agreement made between the Borrower, GSO Special Situations Fund LP (as assigned to BTM LP, as Administrative Agent) and the Revolving Lender dated May 24, 2007;

"Interest Determination" means the determination of the Interest Period applicable to an Advance pursuant to and in accordance with Section 2.10;

"Interest Determination Notice" means a notice substantially in the form of Exhibit B;

"Interest Payment Date" means the last day of each Interest Period;

"Interest Period" means a period commencing (i) in the case of the initial Interest Period for an Advance, on the date of such Advance; and (ii) in the case of any subsequent Interest Period for such Advance, on the last day of the immediately preceding Interest Period applicable thereto and ending, in either case, on the last day of such period as shall be selected by the Borrower pursuant to Section 2.10(c);

"Interest Rate" means 3% (300 basis points) plus either (i) the greater of the LIBOR Rate and 8.0%; or (ii) in the circumstances set out in Section 2.10(c), the greater of the Prime Rate and 8.0%;

"Investment" means, with respect to any Person, directly or indirectly, any advance, account receivable (other than an account receivable arising in the ordinary course of business of such Person), loan or capital contribution to (by means of transfers of Property to others, payments for Property or services for the account or use of others or otherwise), the purchase of any Stock, bonds, notes, debentures, partnership or joint venture interests or other securities of, the acquisition, by purchase or otherwise, of all or substantially all of the business or assets or stock or other evidence of beneficial ownership of, any Person or the making of any investment in any Person. Investments shall exclude (a) extensions of trade credit on commercially reasonable terms in accordance with normal trade practices of such Person and (b) the repurchase of securities of any Person by such Person, provided that:

- (a) for the purposes of Section 6.2(h), Investments shall include and be valued at the fair market value of the net assets of any Subsidiary of the Borrower that is not a Guarantor and shall exclude the fair market value of the net assets of any such Subsidiary of the Borrower that is a Guarantor and the amount of any Investment shall be the original cost of such Investment plus the cost of all additional Investments by the Borrower or any Guarantor, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment reduced by the payment of distributions in cash or Cash Equivalents that constitute a return of capital in connection with such Investment; provided that the aggregate of all such reductions shall not exceed the amount of such initial Investment plus the cost of all additional Investments;
- (b) no such payment of distributions or receipt of any such other amounts shall reduce the amount of any Investment if such payment of distributions or receipt of any such amounts would be included in Consolidated Net Income; and

- (c) if the Borrower or any Guarantor sells or otherwise disposes of any Stock of any Subsidiary of the Borrower such that, after giving effect to any such sale or disposition, such Subsidiary shall have ceased to be a Subsidiary of the Borrower, the Borrower shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Stock of such Subsidiary not sold or disposed of;

"Leases" means all offers to lease, agreements to lease, leases, renewals of leases and other rights or licences, including unwritten month-to-month leases, granted to the Borrower and its Subsidiaries;

"Lenders" means the Persons listed as lenders on Schedule 1.1(a) and any other Person that shall have become a party hereto in accordance with the terms of Section 12.12;

"LIBOR Loan" means a conversion or rollover of the Advance in Canadian Dollars bearing interest by reference to the applicable LIBOR Rate;

"LIBOR Period" means, for each LIBOR Loan, a period (subject to availability) of one, two, three or six months as selected by the Borrower and advised to the Servicing Agent by written notice given in accordance with the provisions hereof, commencing with the date on which such LIBOR Loan is made and ending on the last day of such period and thereafter, while such remains outstanding, each successive period of one to six months (subject to availability) selected by the Borrower and notified to the Servicing Agent in accordance with the provisions hereof, commencing on the last day of the immediately preceding LIBOR Period in respect of such LIBOR Loan, provided that whenever the last day of a LIBOR Period would otherwise occur on a day other than a Banking Day, the last day of such LIBOR Period shall be extended to the next succeeding Banking Day;

"LIBOR Rate" means, with respect to any LIBOR Loan, for any LIBOR Period, the product of either (a)(1) the interest rate per annum determined by the Servicing Agent as shown on the applicable Bloomberg page or any successor page as the average offered rate for London interbank deposits of Canadian Dollars for a term equal to such LIBOR Period as at 11:00 a.m. (London time) two Banking Days prior to the first day of such LIBOR Period or (2) if the rate in clause (1) of this definition is not shown for any particular day, the average interest rate per annum (rounded upwards if necessary to the next 1/16th of 1%) offered to the applicable Lender in the London interbank market for Canadian Dollar deposits, for delivery in immediately available funds on the first day of such LIBOR Period, of amounts comparable to the principal amount of such LIBOR Loan and for a term equal to such LIBOR Period as at 11:00 a.m. (London time) two Banking Days prior to the first day of such LIBOR Period; times (b) Statutory Reserves, if any, applicable to such Lender; provided that if neither such rate is available at any time, then the interest rate per annum for such LIBOR Loan shall be equal to the product of (i) the average interest rate per annum (rounded upwards if necessary to the next 1/16th of 1%) offered to the applicable Lender in the London interbank market for U.S. Dollar deposits, for delivery in immediately available funds on the first day of such LIBOR Period, of amounts comparable to the principal amount of such LIBOR Loan and for a term equal to such LIBOR Period as at 11:00 a.m. (London time) two Banking Days

prior to the commencement of such LIBOR Period times (ii) Statutory Reserves, if any, applicable to such Lender, plus (iii) applicable Hedging Obligations;

"**Liens**" means mortgages, pledges, liens, hypothecs, charges, security agreements or other encumbrances, leases, adverse claims, rights of set-off or agreements, trusts, deemed trusts or other arrangements that in substance secure payment or performance of an obligation, statutory and other non-consensual liens or encumbrances and includes the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement;

"**Loan Documents**" means, collectively, this Agreement, the Existing Credit Agreement, the Security Documents, the Intercreditor Agreement and all other documents delivered pursuant to this Agreement;

"**Losses**" has the meaning specified in Section 10.4(a);

"**LTM EBITDA**" means the Borrower's EBITDA, determined on a consolidated basis in accordance with this Agreement and reported as at the last day of each fiscal quarter of the Borrower for the twelve-month period then ending;

"**Management Fees**" means any management or similar fees paid by the Borrower and its Subsidiaries to GB Merchant Partners LLC and any other Person from time to time;

"**Material Adverse Effect**" means an event, occurrence or condition which has a material adverse effect on or results in a material adverse change in (a) the business, assets, operations, liabilities, prospects or financial or other condition of the Borrower and its Subsidiaries as a whole, (b) the ability of the Borrower or any of its Subsidiaries to pay or perform its Obligations in accordance with the terms of this Agreement and the other Loan Documents, (c) the rights and remedies of the Administrative Agent, the Servicing Agent or any Lender under this Agreement, the other Loan Documents or any related document, instrument or agreement, or (d) any Lien on the Collateral in favour of the Administrative Agent or any Lender or the perfection or priority of such Liens;

"**Material Contract**" shall mean a Contractual Obligation that is material to the Borrower or any Guarantor, including the Leases and agreements set forth in Schedule 5.1(y);

"**Maturity Date**" means October 24, 2012;

"**Modified Financial Reporting Fiscal Year**" has the meaning specified in Section 6.1(r);

"**Moody's**" means Moody's Investor Service, Inc.;

"**Net Cash Proceeds**" means the gross cash proceeds (including payments from time to time in respect of instalment obligations, if any, as and when received) received by or on behalf of the Borrower or the relevant Guarantor, as applicable, pursuant to a Prepayment Trigger Event less the sum of (a) reasonable and customary fees, commissions, expenses,

issuance costs, discounts and other costs paid by or on behalf of the Borrower or the relevant Guarantor, as applicable, in connection with such Prepayment Trigger Event, and (b) any portion of such gross cash proceeds that have been reinvested in any assets used in the Business, in the case of an Insurance Trigger Event, within 365 days of such event;

"Net Income" means, with respect to any Person, for any period, the net income (loss) of such Person for such period determined in accordance with GAAP;

"Newco" means GF Acquisition Corp., a corporation incorporated under the laws of the Province of Ontario;

"Notice of Amount" has the meaning set out in Section 3.1;

"Obligations" means all loans, advances, debts, liabilities, and obligations, howsoever arising, owed by the Borrower, any Guarantor or any other Person (other than the Agents and the Lenders) party to any Loan Documents of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising pursuant to the terms of this Agreement or any of the other Loan Documents, including all principal, interest, fees, charges, expenses, legal fees, consultants' fees and accountants' fees chargeable to the Borrower and any Guarantor or payable by the Borrower or any Guarantor hereunder or thereunder;

"OFAC" means the Office of Foreign Assets Control;

"Officer's Certificate" means a certificate signed by any one of the following officers of the Borrower or a Guarantor, as the case may be: (i) the Chief Executive Officer, (ii) the Chief Operating Officer, (iii) the Chief Financial Officer, or (iv) the Treasurer;

"Original Credit Agreement" has the meaning set out in the recitals;

"Other Taxes" means any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery, enforcement or registration of, or otherwise with respect to, this Agreement or any Loan Document;

"Parents" means 1903 Co-Investor, L.P. and 1903 Equity Fund, L.P.;

"Participation" of a Lender means the percentage which such Lender's Commitment with respect to the Facility is of the aggregate Advance, as such percentage may be adjusted pursuant to this Agreement;

"Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as the same may be amended from time to time, and corresponding provisions of future law;

"Patriot Act Offense" means any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (a) the criminal laws against terrorism; (b) the criminal laws against money laundering, (c) the Bank Secrecy Act, as amended, (d) the Money Laundering Control Act of 1986, as amended, or (e) the Patriot Act, and includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a Patriot Act Offense;

"Pension Plan" means any plan, program, agreement or arrangement that is a pension plan for the purposes of Applicable Pension Legislation or under the *Income Tax Act* (Canada) (whether or not registered under such law) that is maintained or contributed to, or to which there is or may be an obligation to contribute, by the Borrower, any Guarantor or any of their Subsidiaries in respect of their respective employees;

"Permits" has the meaning specified in Section 5.1(j);

"Permitted Asset Sale" means, with respect to any Person, a substantially concurrent exchange of assets of such Person for assets of another Person that are useful to the business of the afore-mentioned Person;

"Permitted Encumbrances" has the meaning specified in Schedule 1.1(c);

"Permitted Indebtedness" means:

- (a) Indebtedness owing hereunder and under the Loan Documents;
- (b) the Stonehouse Subordinated Note;
- (c) the Revolving Credit Facility;
- (d) trade accounts due and payable within 60 days and similar unsecured indebtedness incurred in the ordinary course of business (but excluding indebtedness for borrowed money);
- (e) unsecured Indebtedness in an aggregate maximum amount of \$500,000;
- (f) intercorporate Indebtedness between the Borrower and its Subsidiaries;
- (g) Hedging Obligations entered into in the ordinary course of business;
- (h) Indebtedness of the Borrower or any Guarantor, as the case may be, arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Subsidiary of the Borrower or any Guarantor, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Subsidiary of GFI, the Borrower or any Guarantor for the purpose of financing such acquisition; provided that the maximum assumable

liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Borrower or the Guarantor, as the case may be, and the relevant Subsidiary in connection with such disposition;

- (i) Subordinated Indebtedness; and
- (j) Indebtedness in an amount not to exceed \$2,500,000 incurred or assumed in connection with Permitted Purchase Money Security Interests;

"Permitted Investments" means Investments made on or after the Closing Date consisting of:

- (a) Investments by the Borrower or a Guarantor, in the Borrower or a Guarantor;
- (b) Investments in cash and Cash Equivalents;
- (c) payroll, travel and similar advances made in the ordinary course of business for a *bona fide* business purpose by the Borrower or a Guarantor to employees of the Borrower or a Guarantor, as the case may be; provided that such advances are for items expected at the time of such advances to be treated as expenses for accounting purposes;
- (d) loans or advances made in the ordinary course of business by the Borrower or any Guarantor to employees of the Borrower or any such Guarantor in an amount not to exceed \$500,000 in the aggregate at any one time outstanding;
- (e) securities or other property received from another Person by the Borrower or any Guarantor in connection with any bankruptcy proceeding or by reason of a composition or readjustment of any debt or a reorganization of such Person or as a result of a foreclosure, perfection or enforcement of any Lien in exchange for evidences or Indebtedness, securities or other Property of such Person held by the Borrower or any Guarantor, or for other liabilities or obligations of such other Person to the Borrower or any Guarantor that were created in accordance with the terms of this Agreement;
- (f) lease, utility and other similar deposits made in the ordinary course of business;
- (g) any Investment existing on the Closing Date;
- (h) Hedging Obligations entered into in the ordinary course of business; and
- (i) additional Investments not to exceed \$1,000,000 at any one time outstanding;

"Permitted Purchase Money Security Interest" means any Lien on any property or asset created, issued or assumed to secure Indebtedness incurred, assumed or issued to satisfy, in whole or in part, the purchase price of such property or asset (including installation costs) and expenditures made for any repairs, alterations, construction, development or improvements performed thereon or added thereto, provided that such

Lien, or any agreement or other instrument under which such Lien is constituted, is limited to the property or asset acquired in connection with the assumption, issuance or incurring of such Indebtedness and is created, issued or assumed concurrently with the acquisition of such property or assets;

"Person" means an individual, company, partnership (whether or not having separate legal personality), corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government, state or political subdivision thereof or any agency of such government, state or political subdivision;

"Prepayment Amount" means, with respect to any Prepayment Trigger Event that is an Asset Disposition Trigger Event, 100% of the Asset Sale Proceeds, with respect to a Prepayment Trigger Event that is an Insurance Trigger Event, 100% of the Net Cash Proceeds and, with respect to a Prepayment Trigger Event that is a Change of Control, 100% of the outstanding Advance, in each case, together with any accrued interest, premium, costs and other amounts payable hereunder and under the Loan Documents;

"Prepayment Trigger Event" means an Insurance Trigger Event, an Asset Disposition Trigger Event or a Change of Control;

"Prime Rate" means, on any day, the rate of interest per annum equal to the floating rate of interest per annum announced from time to time by Bank of Montreal (or any other lender consented to by the Administrative Agent and the Required Lenders), and in effect on such day, as the reference rate of interest the Servicing Agent will use to determine rates of interest for Canadian Dollar commercial loans made by the Administrative Agent to borrowers in Canada and referred to by Bank of Montreal as its "prime rate", adjusted automatically with each announced or displayed change in any such rate, all without the necessity of any notice to the Borrower or any other Person;

"Prime Rate Loan" means an advance or conversion or rollover of an advance in Canadian Dollars bearing interest by reference to the Prime Rate;

"Property" means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible;

"Publicly-Traded Securities" means securities which are publicly traded on any recognized stock exchange or electronic quotation system;

"Real Property" means any real property, whether owned or leased, in respect of which the Borrower or any Subsidiary has or hereinafter acquires any right or interest;

"Reference Lender" means Bank of America, N.A.;

"Refinancing Indebtedness" means Indebtedness that renews, replaces, defeases, refunds, refinances or extends any Indebtedness permitted to be incurred by the Borrower and the Subsidiaries or any of them pursuant to the terms of this Agreement, but only to the extent that: (i) if the Indebtedness being refunded, refinanced, renewed, replaced,

defeased or extended is subordinated in right of payment to the Facility, the Refinancing Indebtedness is subordinated to the Facility to at least the same extent as the Indebtedness being renewed, replaced, defeased, refunded, refinanced or extended, (ii) the Refinancing Indebtedness is scheduled to mature either (A) no earlier than the Indebtedness being renewed, replaced, defeased, refunded, refinanced or extended or (B) after the Maturity Date, (iii) the portion, if any, of the Refinancing Indebtedness that is scheduled to mature on or prior to the Maturity Date has a Weighted Average Life of Maturity at the time such Refinancing Indebtedness is incurred that is equal to or greater than the Weighted Average Life to Maturity of the portion of the Indebtedness being renewed, replaced, defeased, refunded, refinanced or extended that is scheduled to mature on or prior to the Maturity Date, (iv) such Refinancing Indebtedness is in an aggregate maximum principal amount (or, if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of (a) the aggregate maximum principal amount (or, if issued with original issue discount, the aggregate accreted value) of the Indebtedness being renewed, replaced, defeased, refunded, refinanced or extended and the amount of any premium reasonably necessary to accomplish such refinancing, (b) the amount of accrued and unpaid interest, if any, and premiums owed, if any, not in excess of pre-existing prepayment provision on such Indebtedness being renewed, replaced, defeased, refunded, refinanced or extended (c) the amount of reasonable fees, expenses and costs related to the incurrence of such Refinancing Indebtedness, (v) such Refinancing Indebtedness is incurred by the same Person that initially incurred the Indebtedness being renewed, replaced, defeased, refunded, refinanced and extended and is either expressly subject to the terms of the Intercreditor Agreement, to the extent such Refinancing Indebtedness is subject to the Intercreditor Agreement as of the Closing Date, or subject to such other arrangements that are satisfactory to the Administrative Agent, in its sole discretion;

"Release" has the meaning specified in Section 5.1(k);

"Reorganization" has the meaning specified in Section 9.1;

"Required Lenders" means, at any time, Lenders whose outstanding Commitments represent more than 50% of the sum of the total outstanding Advance at such time;

"Restricted Payment" means any of the following:

- (a) the declaration of any dividend or other distribution or payment on Stock of the Borrower or any Subsidiary of the Borrower or any payment made to the direct or indirect holders (in their capacities as such) of Stock of the Borrower or any Subsidiary of the Borrower (other than (i) dividends or distributions payable solely in Stock of the Borrower or any Subsidiary of the Borrower or in options, warrants or other rights to purchase such Stock; and (ii) in the case of Subsidiaries, dividends or distributions payable to the Borrower or a Subsidiary of the Borrower that is also a Guarantor and *pro rata* dividends or distributions payable to the other holders of Stock of such Subsidiary), provided that nothing in this clause (a) shall be construed to prohibit any transaction, the prohibition of which, by operation of this definition, would violate Section 6.2(f);

- (b) the purchase, redemption or other acquisition or retirement for value of any Stock of the Borrower or any of the Subsidiaries (other than Stock owned by the Borrower or a Guarantor) or any option, warrant, or other right to purchase Stock;
- (c) the making of any principal payment on, or the purchase, defeasance, repurchase, redemption or other acquisition or retirement for value, of any Subordinated Indebtedness, including the Stonehouse Subordinated Note;
- (d) the making of any interest or other payment on the Stonehouse Subordinated Note prohibited by the Stonehouse Subordination Agreement;
- (e) the payment of any Management Fees; or
- (f) the making of any Investment or guarantee of any Investment in any Person other than a Permitted Investment;

"Revolving Lender" means Bank of America, N.A. (acting through its Canada branch);

"Revolving Credit Facility" means the revolving credit facility made by the Revolving Lender to the Borrower pursuant to the loan and security agreement between the Borrower and the Revolving Lender dated May 24, 2007 maturing November 24, 2012 with a maximum commitment of \$30 million, as may be amended, restated, replaced or superceded in accordance with the terms of the Intercreditor Agreement;

"S&P" means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc.;

"Sale and Lease-Back Transaction" means any arrangement with any Person providing for the leasing by the Borrower or any Guarantor of any Property, which Property has been or is to be sold or transferred by the Borrower or such Guarantor to such Person in contemplation of such leasing;

"Security" means, collectively, the Borrower's Security and the Guarantors' Security;

"Security Documents" means, collectively, the Borrower's Security Documents and the Guarantors' Security Documents;

"Senior Indebtedness" means the principal of and premium, if any, and interest on, and any and all other fees, expense reimbursement obligations and other amounts due pursuant to all agreements, documents and instruments providing for, creating, securing or evidencing or otherwise entered into in connection with:

- (a) all Indebtedness of the Borrower or any Guarantor owed to the Revolving Lender under the Revolving Credit Facility;
- (b) all obligations of the Borrower or any Guarantor with respect to the Facility;

- (c) all obligations of the Borrower or any Guarantor to reimburse any bank or other person in respect of amounts paid under letters of credit, bankers' acceptances or other similar instruments in respect of Indebtedness which is not Subordinated Indebtedness;
- (d) all other Indebtedness of the Borrower or any Guarantor that does not provide that it is subordinated to the Facility or the Guarantee of such Guarantor, as the case may be;
- (e) all deferrals, renewals, extensions and refundings of, and amendments, modifications and supplements to and restatements of, any of the Senior Indebtedness described above;

"Servicing Agent" means OFS Agency Services, LLC in its capacity as servicing agent for the Lenders hereunder, or any successor Servicing Agent appointed pursuant to Section 11.6(b) or 11.6(c);

"Solvent" means, with respect to any Person on any date, that on such date (a) the fair value of the Property of such Person is greater than the fair value of the liabilities (including contingent, subordinated, matured and unliquidated liabilities) of such Person, (b) the present fair saleable value of the assets of such Person is greater than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person is paying its debts and liabilities in the ordinary course as they come due, and such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay in the ordinary course as such debts and liabilities mature and (d) such Person is not engaged in or about to engage in business or transactions for which such Person's Property would constitute unreasonably small capital;

"Statutory Reserves" means, in respect of a relevant LIBOR Period and a Lender, a fraction (expressed as a decimal) the numerator of which is the number one and the denominator of which is the number one minus the maximum reserve percentage (including any marginal, special, emergency or supplemental reserves) expressed as a decimal prescribed by the Governmental Authority having jurisdiction over such Lender, in respect of time deposits in Canadian Dollars given outside the home jurisdiction of such Lender in an Equivalent U.S. \$ Amount comparable to the advance for such LIBOR Period and with a maturity comparable to such LIBOR Period. Statutory Reserves shall be adjusted automatically on and as of any change in any reserve percentage;

"Stock" means all shares, options, warrants, general or limited partnership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited partnership or equivalent entity whether common, preferred or special, voting or non-voting or participating or non-participating;

"Stock Purchase Agreement" means the stock purchase agreement between Stonehouse, StonehouseCo and Newco dated April 30, 2007;

"Stonehouse" means Glenn Stonehouse;

"Stonehouse Subordinated Note" means the non-amortizing subordinated note made by the Borrower to StonehouseCo in the principal amount of \$12,000,000 maturing May 24, 2013 and bearing interest at a rate of 9.00% per annum, as may be amended, restated, replaced or superseded in accordance with the terms thereof and the terms of the Subordination Agreement;

"StonehouseCo" means Stonehouse Group Inc.;

"Subordinated Indebtedness" shall mean Indebtedness of the Borrower or any Guarantor or Subsidiary of the Borrower which is: (A) subordinated to all amounts at any time due and payable under any of the Loan Documents in a manner and form satisfactory to the Administrative Agent in its sole discretion, as to right and time of payment and as to any other rights and remedies thereunder, and (B) expressly subject to the terms of an intercreditor agreement or to a subordination agreement acceptable in form and substance to the Administrative Agent in its sole discretion;

"Subordination Agreement" means the subordination agreement dated as of May 24, 2007 between GSO Special Situations Fund LP (as assigned to BTM LP, as Administrative Agent) and StonehouseCo, as amended by the Stonehouse Subordinated Amendment Agreement and as may be further amended, restated, replaced or superseded in accordance with the terms thereof;

"Subordination Amendment Agreement" means an amendment agreement between the Administrative Agent and StonehouseCo in form and substance satisfactory to the Administrative Agent and each Lender, pursuant to which StonehouseCo has agreed, *inter alia*, that it shall not be entitled to receive any interest payments under the Stonehouse Subordinated Note unless the ratio of Senior Indebtedness to LTM EBITDA, measured as of the last day of the immediately preceding fiscal quarter of the Borrower, is equal to or less than 3.5:1 on an actual and *pro forma* basis, giving effect to the proposed payment as if it had been made on the last day of such fiscal quarter;

"Subsidiary" means, with respect to any Person, any corporation more than 50% of the Voting Securities of which at the time of determination are beneficially owned, directly or indirectly, by such Person or any corporation, joint venture, partnership or other entity which is subject to the direct or indirect Control of such Person;

"Successor Corporation" has the meaning specified in Section 9.1;

"Taxes" means all present and future taxes, charges, fees, levies and other assessments, whether disputed or not, including all income, sales, use, payroll, withholding, employer health, excise, real property, capital, value-added, goods and services, capital gain, stamp and other taxes and levies, imposts, deductions, duties, charges and withholdings whatsoever together with interest thereon and penalties with respect thereto, if any, and charges, fees and other amounts made on or in respect thereof;

"Termination and Discontinued Store Costs" means (a) any severance or termination pay made to employees of the Borrower whose employment with the Borrower is terminated, (b) any costs arising from the closure of any of the Borrower's

underperforming retail shops, and (c) any cash losses from stores that have been discontinued;

"Transferee" has the meaning specified in Section 12.12(a);

"Voting Securities" means securities of any class of any Person carrying voting rights under all circumstances, provided that, for the purpose of this definition, securities which only carry the right to vote conditionally on the happening of an event shall not be considered Voting Securities unless such right has become exercisable; and

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the then outstanding aggregate principal amount of such Indebtedness into (b) the sum of the total of the products obtained by multiplying (i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment.

1.2 Headings

The division of this Agreement into Articles and Sections and the insertion of an index and headings are for convenience of reference only and shall not affect the construction or interpretation hereof. The terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section, paragraph or other portion hereof and include any agreement supplemental hereto. Save as expressly provided herein, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.3 Extended Meanings

Words importing the singular number only shall include the plural and *vice versa*, and words importing any gender shall include all genders. The term "including" means "including without limitation".

1.4 References to the Agents and Lenders

Any reference in this Agreement to the Administrative Agent, the Servicing Agent or any Lender shall be construed so as to include its successors and permitted transferees or assigns hereunder in accordance with its respective interests.

1.5 Accounting Terms and Practices

Unless otherwise provided herein, all accounting terms referred to herein shall be construed in accordance with GAAP and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles, consistently applied except for the absence of footnotes in unaudited statements.

1.6 Non-Banking Days

Whenever any payment to be made hereunder shall be stated to be due or any action to be taken hereunder shall be stated to be required to be taken on a day other than a Banking Day, such payment shall be made or such action shall be taken on the next succeeding Banking Day and, in the case of the payment of any monetary amount, the extension of time shall be included for the purposes of computation of interest or fees thereon.

1.7 References to Time of Day

Except as otherwise specified herein, a time of day shall be construed as a reference to the time of day in Toronto, Ontario.

1.8 Severability

In the event that one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any Applicable Law, the validity, legality or enforceability of the remaining provisions hereof shall not be affected or impaired thereby.

1.9 Currency

All monetary amounts in this Agreement refer to Canadian Dollars unless otherwise specified.

1.10 References to Statutes

Except as otherwise provided herein, any reference in this Agreement to a statute, legislation or regulation shall be construed to be a reference thereto as the same may have been, or may from time to time be, amended or re-enacted.

1.11 References to Agreements

Except as otherwise provided herein, any reference herein to this Agreement or any other agreement or document shall be construed to be a reference to this Agreement or such other agreement or document, as the case may be, as the same may have been, or may from time to time be, amended, varied, novated, restated or supplemented.

1.12 Amendment and Restatement

This Agreement is and shall for all purposes be an amendment and a restatement of the provisions of the Existing Credit Agreement, which was an amendment and restatement of the Original Credit Agreement. This Agreement supersedes the Existing Credit Agreement and the Original Credit Agreement insofar as it constitutes the entire agreement between the parties concerning the subject matter of this Agreement, but does not constitute a novation of the Existing Credit Agreement, the Original Credit Agreement or any of the indebtedness, liabilities or obligations of the Borrower under the Existing Credit Agreement or the Original Credit Agreement. All of the indebtedness, liabilities and obligations under the Original Credit

Agreement and the Existing Credit Agreement (including the Advance, as such term is defined in such agreements), constitute indebtedness, liabilities and obligations under this Agreement. Any section references to the Original Credit Agreement and the Existing Credit Agreement in the Loan Documents entered into in connection with such agreements shall be deemed to be amended, as applicable, to refer to the corresponding section references of this Agreement.

1.13 Schedules

The following are the Schedules and Exhibits attached hereto and incorporated by reference and deemed to be part hereof:

- Exhibit A - Form of Drawdown Notice
- Exhibit B - Form of Interest Determination Notice
- Exhibit C - Form of Transfer Agreement
- Schedule 1.1(a) - Lenders and Commitments
- Schedule 1.1(c) - Permitted Encumbrances
- Schedule 5.1(h) - Permitted Affiliate Transactions
- Schedule 5.1(g) - Items Not Treated Consistently
- Schedule 5.1(i) - Litigation
- Schedule 5.1(x) - Insurance
- Schedule 5.1(z) - Capitalization and Subsidiaries, Etc.
- Schedule 5.1(bb) - Real Property
- Schedule 12.12 - Disqualified Lenders

ARTICLE 2 **THE FACILITY**

2.1 The Facility

Upon the terms and subject to the conditions hereof, each of the Lenders hereby severally agrees to continue the outstanding Advance to the Borrower on the terms and conditions set forth herein and in the amount of its Participation. The obligations of each Lender hereunder with respect to its Participation are several.

2.2 Purpose

The Facility was made available to the Borrower by the Lenders to fund the recapitalization of the Borrower that was consummated on the Closing Date in connection with the transactions contemplated by the Stock Purchase Agreement together with the payment of fees and expenses related to the transactions contemplated by the Stock Purchase Agreement.

2.3 Availability

The Borrower made a Drawdown on the Closing Date in an amount equal to \$50,000,000 pursuant to an irrevocable Drawdown Notice given to the Administrative Agent on the Closing Date. The Borrower acknowledges having received such Advance and agrees that no further monies shall be advanced to the Borrower on account of the Advance. The amount of the Advance shall be reduced upon prepayment of any portion thereof pursuant to the terms of

this Article 2 and increased on such Interest Payment Date from the Effective Date to the first anniversary thereof in accordance with Section 2.10(b).

2.4 Participation of Each Lender

The amount of the Participation of each Lender in the Advance is equal to each such Lender's Commitment, as set forth in Schedule 1.1(a).

2.5 Repayment of the Facility

Unless accelerated under Section 8.2 and subject to Section 2.6, the Borrower shall repay and there shall become due and payable on the Maturity Date, the principal amount of the Advance then outstanding, together with accrued and unpaid interest thereon and any other amounts owing hereunder and under the other Loan Documents.

2.6 Voluntary Prepayments

Subject to the terms of the Intercreditor Agreement and Section 2.7 and Section 10.2, at any time and from time to time, the Borrower shall be entitled, at its option, to prepay, on notice to the Servicing Agent in accordance with Section 2.7, all or any portion of the Advance at a redemption price equal to 100% of the principal amount of the Commitments being prepaid.

2.7 Prepayment Notice

The Borrower shall give written notice to the Servicing Agent of each voluntary prepayment pursuant to Section 2.6 not less than three Banking Days prior to such voluntary prepayment. Such notice (a "Prepayment Notice") shall be irrevocable, and shall specify:

- (a) the date on which the prepayment is to take place; and
- (b) the principal amount of the Advance or the portion thereof which is to be prepaid and the additional amounts payable in accordance with Section 2.6, if any.

2.8 Mandatory Prepayments

(a) On the Effective Date, the Borrower shall prepay \$6 million of the outstanding Advance at a redemption price equal to 100% of such outstanding amount.

(b) On or before (i) September 15, 2010, and (ii) April 15 of each year thereafter, a portion of the outstanding Advance equal to 50% of Cumulative Free Cash Flow, calculated as of the last day of the immediately preceding fiscal year of the Borrower, shall become due and payable and the Borrower shall prepay such amount at a redemption price equal to 100% of such portion, provided that the Borrower shall have the option to defer the payment that would otherwise be due on September 15, 2010 to April 15, 2011 if the LTM EBITDA as of January 30, 2009 is less than \$10,000,000.

(c) Subject to the terms of the Intercreditor Agreement, on each occasion that a Prepayment Trigger Event occurs, that portion of the outstanding Advance equal to the relevant Prepayment Amount shall become due and payable and the Borrower shall prepay such amount at a redemption price equal to 100% of such portion within 2 Banking Days following such Prepayment Trigger Event.

(d) Any amount prepaid by the Borrower hereunder, including under Section 2.6 or this Section 2.8, shall be not refundable and may not be redrawn by and shall not be returnable to the Borrower.

2.9 Application of Repayments

Except as otherwise indicated herein, all payments made by or for the Borrower for the account of the Lenders in connection herewith shall be applied *pro rata* in accordance with the Lenders' Participations as follows:

- (i) to amounts (other than principal or interest) due under any Loan Document in respect of fees, expenses, prepayment premiums, breakage costs and other amounts;
- (ii) to amounts due hereunder in respect of interest on the outstanding principal amount of the Advance in order of the day following the last day of each Interest Period thereon, commencing with the earlier or earliest thereof; and
- (iii) to the principal amount of the outstanding Advance.

If any amount paid by the Borrower or received by any Lender, or by the Servicing Agent or Administrative Agent on behalf of any Lender, hereunder is required to be held in trust or returned to any third party, including pursuant to the Intercreditor Agreement, such amount shall be deemed not to have been paid to or received by or on behalf of such Lender and such amount shall continue to form a part of the outstanding Advance and be payable in accordance with the terms of this Agreement.

2.10 Interest on the Advance

(a) The Advance shall bear interest at the Interest Rate. For LIBOR Loans in effect from time to time interest shall be calculated and payable (i) at the end of the applicable LIBOR Period; (ii) if such LIBOR Period is in excess of three months, at the end of each three month period during such LIBOR Period and on the last day of such LIBOR Period; and (iii) on the date on which such LIBOR Loan becomes due and payable or is prepaid.

Each Interest Determination Notice for a LIBOR Loan shall specify the next LIBOR Period. No LIBOR Period shall end after the Maturity Date.

The Borrower shall pay to the Servicing Agent interest in Canadian Dollars on the principal amount of each Prime Rate Loan from the date on which such Prime Rate Loan was made or deemed made until such Prime Rate Loan shall have been repaid in full, at a floating

rate per annum equal to the Prime Rate in effect from time to time, calculated (and if not paid when due compounded) monthly and payable (i) monthly in arrears on the first Banking Day of each month (for all amounts accrued prior thereto), and (ii) on the date on which such Prime Rate Loan becomes due and payable.

(b) Interest shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed (including the first day of each Interest Period but excluding the last day thereof) and divided by 360. From the Effective Date to the first anniversary thereof, an amount equal to that portion of any interest accrued during such time comprising 2% (or 200 basis points) accrued on the outstanding Advance shall be capitalized and added on the applicable Interest Payment Date to the amounts owing under this Agreement in lieu of being paid by the Borrower in cash. Any interest that is capitalized in accordance with this Section 2.10(b) shall form part of the principal amount of the outstanding Advance and shall bear interest thereafter at the Interest Rate. The balance of any accrued interest shall be payable in cash in Canadian Dollars in arrears on the applicable Interest Payment Date. After the first anniversary of the Effective Date, all of the interest on the outstanding principal amount of the Advance shall be payable in cash in Canadian Dollars in arrears on the Interest Payment Date relating thereto and no portion thereof shall be added to the principal amount of the outstanding Advance.

(c) If, with respect to any LIBOR Loan requested, any Lender determines in good faith and acting reasonably which determination shall be final, conclusive and binding upon the Borrower that:

- (i) by reason of circumstances affecting financial markets inside or outside Canada, as the case may be, deposits in Canadian Dollars (or if relevant, U.S. Dollars) of sufficient amount and applicable term to fund such LIBOR Loan are not available to such Lender in the London interbank offering market;
- (ii) by reason of circumstances affecting the London interbank offering market, adequate and fair means do not exist for such Lender to determine the applicable LIBOR Rate for the LIBOR Period selected by the Borrower;
- (iii) the making or the continuance of a LIBOR Loan has become impractical by reason of circumstances which materially and adversely affect the London interbank market; or
- (iv) any change to any present, or the introduction of any new, legal requirement or any policy or request (whether or not having the force of law) of any Governmental Authority, or in the interpretation or application thereof by any Governmental Authority, has made it unlawful for the Lender to make, fund, or maintain or to give effect to its obligations in respect of any LIBOR Loan as contemplated hereby;

such Lender (if it makes such determination) shall so notify the Servicing Agent whereupon the Servicing Agent shall so notify the Borrower and:

- (A) the right of the Borrower to select such a LIBOR Loan shall be suspended until such Lender determines in good faith that the circumstances causing such suspension no longer exist and so notifies the Borrower;
- (B) any outstanding Drawdown Request or Notice of Interest Determination for such LIBOR Loan shall be deemed to constitute a request for an Advance by way of a Prime Rate Loan for a period of time equal to the requested LIBOR Period; and
- (C) if any LIBOR Loan is already outstanding at any time when the right of the Borrower to select a LIBOR Loan is suspended, the Borrower shall, by written notice to the Servicing Agent and relevant Lender given within three (3) Business Days of the date of the above-described Servicing Agent's notification, elect in its discretion to either (i) prepay within seven (7) Banking Days (or on such earlier date as may be required to comply with any applicable legal requirement) of the date of such written notice to the Servicing Agent and relevant Lender such LIBOR Loan, with all interest accrued to the date of such prepayment and on all such amounts as are required to compensate the affected Lender for (A) any Additional Compensation payable pursuant to Section 3.1, and (B) any additional amounts payable pursuant to Section 10.2, or (ii) convert on the maturity date of the relevant LIBOR Period (or on such earlier date as may be required to comply with any applicable legal requirement), such outstanding LIBOR Loan to a Prime Rate Loan.

(d) Not later than 10:00 a.m. on the third Banking Day prior to the last day of the then current Interest Period the Borrower shall deliver an Interest Determination Notice to the Servicing Agent. If the Advance is not repaid on the last day of any Interest Period and if the Servicing Agent has not received an Interest Determination Notice specifying the term of the next Interest Period for the Advance on or before 10:00 a.m. on the third Banking Day prior to the last day of the then current Interest Period, then the Borrower shall be deemed to have delivered an Interest Determination Notice electing an Interest Period of three months for the Advance and Interest shall be payable on the Advance at the applicable Interest Rate for such period.

(e) Except as otherwise provided herein, the Advance shall not be repaid or prepaid except on the last day of any Interest Period unless the Borrower pays to the Agents and the Lenders any amounts which may be payable under Section 10.2.

2.11 Method and Place of Payment

All payments of principal, interest and fees hereunder shall be made for value in the full amount due at or before 12:00 noon on the day such amount is due by deposit or transfer thereof to an account of the Borrower maintained at the principal office of the Servicing Agent in

its designated place of business or such other place as the Borrower and the Servicing Agent may from time to time agree. Payments received after such time shall be deemed to have been made on the next following Banking Day. Each payment to be made by the Borrower under this Agreement shall be made in full without deduction, set-off or counterclaim of any kind or for any reason. Repayments of the Advance and payments of interest on the Advance shall be made in Canadian Dollars. The Borrower hereby irrevocably authorizes and directs the Servicing Agent to deduct and set-off from such account all amounts due to the Administrative Agent, the Servicing Agent or any Lender from time to time hereunder.

2.12 Fees

The Administrative Agent, on behalf of the Lenders, acknowledges receipt of \$725,000.00, being an amount equal to 1.45% of the Advance, from the Borrower on the Closing Date. From and after the Effective Date, the Borrower shall reimburse the Administrative Agent for the annual administrative fee payable by the Administrative Agent to the Servicing Agent promptly and, in any event, within 30 days of receiving an invoice therefor, provided that the Borrower's maximum liability for such fee shall not exceed \$17,500 for the fiscal year ending on January 31, 2010 and \$35,000 for each fiscal year thereafter.

2.13 Execution of Notices

Each Interest Determination Notice and notice of repayment or prepayment and, unless otherwise provided herein, all other notices, requests, demands or other communications to be given to either Agent by the Borrower hereunder shall be executed by any one officer or director of the Borrower.

2.14 Evidence of Indebtedness

The Servicing Agent shall open and maintain in accordance with its usual practice books of account evidencing the Advance and all other amounts owing by the Borrower to the Servicing Agent, the Administrative Agent and the Lenders hereunder. The Servicing Agent shall enter in the foregoing accounts details of each Interest Determination in respect of the Advance and of all amounts from time to time owing or paid by the Borrower to the Servicing Agent, and the amounts of principal, interest and fees payable from time to time hereunder. The information entered in the foregoing accounts shall constitute, in the absence of manifest error, *prima facie* evidence of the obligations of the Borrower to the Administrative Agent, the Servicing Agent and the Lenders hereunder, the date the Advance and the amounts the Borrower has paid from time to time on account of the principal of, interest on and fees related to the Advance.

2.15 Interest on Overdue Amounts

Where the Borrower or any Guarantor fails to pay any amount required to be paid by the Borrower or such Guarantor hereunder or under the Loan Documents when due, the Borrower or the Guarantor, as the case may be, shall pay interest on such unpaid amount, whether before or following demand, default or judgment, including overdue interest from the time such amount is due until paid at an annual rate equal to the sum of 2% plus the Interest

Rate, compounded monthly in arrears on the last Banking Day of each calendar month in each year and payable on demand.

2.16 Criminal Rate of Interest

Notwithstanding the foregoing provisions of this Article 2, the Borrower shall in no event be obliged to make any payments of interest or other amounts payable to either Agent or any Lender hereunder in excess of an amount or rate which would be prohibited by law or would result in the receipt by either Agent or any Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)).

2.17 Compliance with the Interest Act (Canada)

For the purposes of this Agreement, whenever any interest is calculated on the basis of a period of time other than a calendar year, the annual rate of interest to which each rate of interest determined pursuant to such calculation is equivalent for the purposes of the *Interest Act* (Canada) is such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis of such determination.

2.18 Nominal Rate of Interest

The parties acknowledge and agree that all calculations of interest under this Agreement are to be made on the basis of the nominal interest rate described herein and not on the basis of effective yearly rates or on any other basis which gives effect to the principle of deemed reinvestment of interest. The parties acknowledge that there is a material difference between the stated nominal interest rates and the effective yearly rates of interest and that they are capable of making the calculations required to determine such effective yearly rates of interest.

**ARTICLE 3
CHANGE OF CIRCUMSTANCES**

3.1 Increased Costs

In the event of (i) any Applicable Law coming into force after the date hereof or (ii) any change in any existing Applicable Law, or in the interpretation or application thereof by any court or by any Governmental Authority or other authority or entity charged with the administration thereof or (iii) compliance by a Lender with any direction, request or requirement (whether or not having the force of law) of any Governmental Authority or other authority or entity charged with the administration of any Applicable Law (each such event being hereinafter referred to as a "change in law") which now or hereafter:

- (a) subjects (whether directly, or as a result of any withholding or deduction by the Borrower) a Lender to any Tax (other than Canadian withholding tax) or changes the basis of taxation, or increases any existing Tax (in each case, except for the coming into force of any tax or change in the basis of taxation or manner of collection of any tax in respect of or the change in the rate of Tax charged on

income of a Lender as a whole) and including any Other Tax that is payable by a Lender on, or required by Applicable Law to be withheld by the Borrower from, any Additional Compensation, as hereinafter defined), on payments of principal, interest, premium or other amounts payable by the Borrower to such Lender hereunder or on or by reference to the amount of the Advance made or to be made by such Lender hereunder or on or by reference to the commitment of such Lender hereunder, or

- (b) imposes, modifies or deems applicable any reserve, special deposit or similar requirements or otherwise imposes any cost on a Lender in funding or maintaining all or any of the Advance hereunder, or
- (c) will have the effect of increasing the amount of overall capital required to be maintained by a Lender, taking into account the existence of such Lender's participation in any Advance hereunder (including, without limitation, all or any part of its commitment),

and the result of any of the foregoing is to increase the cost to such Lender, reduce the income receivable by it or reduce the effective return on the capital of such Lender in respect of the Advance and/or its Commitment, such Lender shall give notice thereof to the Borrower and to the Servicing Agent (a "Notice of Amount") stating the event by reason of which it believes it is entitled to Additional Compensation (as hereinafter defined), such cost and/or such reduction in such return (or such proportion of such reduction as is, in the reasonable and *bona fide* opinion of such Lender, attributable to its obligations hereunder), the amount of such Additional Compensation (as hereinafter defined) incurred by such Lender together with a certificate of a duly authorized officer of such Lender setting forth the Additional Compensation and the basis of calculation of such Additional Compensation including a copy of the Applicable Law or direction, request or requirement (whether or not having the force of law) of any Governmental Authority or other authority or entity charged with the administration of any Applicable Law, provided that the disclosure of the same can be lawfully made and that such Lender shall not be required to disclose any information required to be kept confidential by Applicable Law. The Borrower shall pay to such Lender, within 10 Banking Days of the date of receipt of any Notice of Amount, the amount specified in such Notice of Amount (in this Article 3 referred to as "Additional Compensation"). The obligation to pay such Additional Compensation for subsequent periods will continue until the earlier of termination of the Advance or the lapse or cessation of the change in law giving rise to the initial Additional Compensation. Each Lender shall make reasonable efforts to limit the incidence of any such Additional Compensation and seek recovery for the account of the Borrower upon the Borrower's request at the Borrower's expense, provided a Lender in its reasonable determination suffers no appreciable economic, legal, regulatory or other disadvantage. In the event the Lender subsequently recovers all or part of the Additional Compensation paid by the Borrower, it shall promptly repay an equal amount to the Borrower, provided that no Lender shall have any obligation to arrange its affairs in such a way as to ensure that all or any part of such Additional Compensation is recovered. The obligation to pay such Additional Compensation for subsequent periods will continue until the earlier of termination of the Advance or the Commitment affected by the change in law, change in capital requirement or the lapse or cessation of the change in law giving rise to the initial Additional Compensation. A Lender shall only be entitled to rely upon the provisions of this

Section 3.1 if and for so long as it is not treating the Borrower in any materially different or in any less favourable manner than is applicable to any other similar customers of such Lender, where such other similar customers are bound by similar provisions to the foregoing provisions of this Section 3.1.

3.2 Illegality

If, with respect to a Lender, the implementation of any existing provision of Applicable Law or the adoption of any Applicable Law, or any change therein or in the interpretation or application thereof by any court or by any statutory board or commission now or hereafter makes it unlawful for such Lender to make, fund or maintain all or any portion of the Advance, to maintain all or any part of its commitment hereunder, such Lender may, by written notice thereof to the Borrower, declare such affected part of the obligations of such Lender under this Agreement with respect to the activity which is unlawful to be terminated whereupon the same shall forthwith terminate, and the Borrower shall repay to such Lender within the time required by such law (or as promptly as practicable if already unlawful or at the end of such longer period, if any, as such Lender, in its *bona fide* opinion, may agree) the principal of the Advance made by such Lender, together with all accrued interest, premium, costs, expenses and other amounts payable hereunder or if conversion would avoid the activity that is unlawful, convert the affected part of the Advance to an Advance with an Interest Rate equal to the Prime Rate. If any such change shall affect only that portion of such Lender's obligations under this Agreement that is, in the *bona fide* opinion of such Lender, severable from the remainder of this Agreement so that the remainder of this Agreement may be continued in full force and effect without otherwise affecting any of the obligations of such Lender or the Borrower hereunder, such Lender shall declare its obligations under only that portion so terminated. Each Lender agrees if possible to designate a different lending office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

ARTICLE 4
CONDITIONS PRECEDENT

4.1 Conditions to Effectiveness

This Agreement shall not be effective until the date on which each of the following conditions is satisfied by the Borrower:

- (a) this Agreement and the Borrower's Security Documents, in form and on terms satisfactory to the Administrative Agent, shall have been duly authorized, executed and delivered to the Lenders by the Borrower and shall constitute legal, valid and binding obligations of the Borrower;
- (b) the representations and warranties set forth in Section 5.1 shall be true and correct on and as of the Effective Date;
- (c) except for the Events of Default that have been waived pursuant to Section 12.2, no Default or Event of Default shall have occurred and be continuing and the Borrower shall have delivered an Officer's Certificate to such effect;

- (d) the Security and all necessary financing statements shall have been duly registered, filed and recorded against the Borrower in all jurisdictions where such registration, filing or recording, in the reasonable opinion of the Lenders, is necessary or advantageous to preserve, protect and perfect the charges and security interest created or intended to be created by the Security Documents;
- (e) the Borrower shall have delivered to the Administrative Agent reasonably satisfactory evidence that customary insurance coverage (with adequate and customary limits and deductibles) for business and operations of the type and size the Borrower and all of its Subsidiaries is in place, with (i) the Administrative Agent being named as (A) a loss payee, and (B) an additional insured; and (ii) an endorsement that 30 days' notice shall be provided to the Administrative Agent for any cancellation, modification or waiver thereunder and that if the insurance carrier shall have received written notice from the Administrative Agent of the occurrence and continuance of an Event of Default, the insurance carrier shall pay all proceeds otherwise payable to the Borrower under such policies directly to the Administrative Agent;
- (f) all fees and expenses payable to the Lenders or Administrative Agent (including all reasonable legal fees and expenses) in connection with the transactions contemplated hereby shall be paid in full, to the extent that such fees and expenses shall then be due and payable;
- (g) a favourable opinion of Counsel to the Borrower, addressed to the Administrative Agent and the Lenders from time to time party hereto, in form and substance satisfactory to the Administrative Agent and each Lender, shall have been delivered to the Administrative Agent and each Lender;
- (h) the Borrower shall have delivered to the Administrative Agent the Financial Statements referred to in Section 5.1(g) and the unaudited financial statements for the Borrower's fiscal year ended January 31, 2009 in form and substance satisfactory to the Administrative Agent and the Lenders;
- (i) the Administrative Agent shall have received evidence satisfactory to the Administrative Agent that the Revolving Credit Facility is in effect and all of the documents entered into in connection with the amendments to the Revolving Credit Facility shall be in form and substance acceptable to the Administrative Agent acting reasonably;
- (j) the Stonehouse Subordinated Note shall be in form and substance satisfactory to the Administrative Agent, and StonehouseCo shall have entered into and delivered the Subordination Amendment Agreement to the Administrative Agent;
- (k) the \$6 million payment referred to in Section 2.8(a) shall have been made to the Servicing Agent, for the account of the Lenders; and

- (l) the Administrative Agent shall have received such additional evidence, documents or undertakings as the Lenders may reasonably request to establish the consummation of the transactions contemplated hereby.

In each case where a document shall be delivered to the Lenders, the Borrower shall provide a sufficient number of copies for delivery of an originally executed copy of each document to each Lender and to the Administrative Agent and the Servicing Agent. The conditions set forth in this Section 4.1 are inserted for the sole benefit of each Lender and may be waived by each Lender in whole or in part, with or without terms or conditions. The Lenders hereby acknowledge and confirm that the conditions set forth in Sections 4.1(d) and 4.1(h) have been satisfied on or prior to the Effective Date.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties

The Borrower and any Guarantor jointly and severally represents and warrants as follows to the Administrative Agent, the Servicing Agent and each Lender, and each of the Administrative Agent and each Lender acknowledges and confirms that it is relying upon such representations and warranties in having made and continuing the Advance hereunder:

- (a) **Corporate Status.** The Borrower is a corporation duly amalgamated and validly existing under the laws of the Province of Ontario and any Guarantor and each of its and the Borrower's Subsidiaries is a corporation duly incorporated or amalgamated or is validly existing as a partnership or is otherwise organized and validly existing under the laws of the jurisdiction of its incorporation specified in Schedule 5.1(z). Each of the Borrower, any Guarantor and each of their Subsidiaries has all necessary corporate power and authority to conduct its business as presently conducted and to own or lease its properties and assets in each jurisdiction where such properties and assets are situated or such business is conducted.
- (b) **Corporate Power and Authority.** Each of the Borrower and any Guarantor has full corporate power and authority to enter into the Loan Documents to which it is a party, and to do all acts and things and execute and deliver all documents as are required hereunder or thereunder to be done, observed or performed by it in accordance with the terms hereof or thereof.
- (c) **Authorization and Enforceability.** This Agreement and each of the other Loan Documents to which each of the Borrower and any Guarantor is a party has been delivered by the Borrower and any such Guarantor and constitutes a valid and legally binding obligation of the Borrower and any such Guarantor, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally.
- (d) **Conflict with Constating Documents and Agreements.** Neither the execution and delivery of the Loan Documents nor the consummation by the Borrower or

any Guarantor of any of the transactions herein and therein contemplated, nor compliance by the Borrower or any such Guarantor with the terms, conditions and provisions of the Loan Documents to which it is a party, will conflict with or result in a breach of any of the terms, conditions or provisions of:

- (i) the constating documents, certificates or articles of incorporation or by-laws of the Borrower, the Guarantor or any of their Subsidiaries or any unanimous shareholders' agreement relating to any of them;
 - (ii) any resolution of the shareholders, directors or any committee of directors of the Borrower, any Guarantor or any of their Subsidiaries;
 - (iii) any agreement (including any Material Contract), instrument or arrangement to which the Borrower, any Guarantor or any of their Subsidiaries is now a party or by which it, or its properties are, or may be, bound, or will constitute a default which could give rise to damages or the right to terminate such agreement, or will result in the creation or imposition of any Lien (other than Permitted Encumbrances) upon any of the properties or assets of the Borrower, the Guarantor or any of their Subsidiaries;
 - (iv) any judgment or order, writ, injunction or decree of any court; or
 - (v) any Applicable Law.
- (e) **No Other Authorization or Consents Necessary.** No action (including, without limitation, the giving of any consent, licence, right, approval, authorization, registration, order or permit) of, or filing with, any Governmental Authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance by the Borrower or any Guarantor of the Loan Documents or in order to render this Agreement and the Loan Documents legal, valid, binding or enforceable and no consents, approvals or other authorizations are required in connection with the assignment of accounts receivable pursuant to the Loan Documents except those actions which have been obtained or filings which have been made.
- (f) **No Third Party Consents.** Except for the consents and approvals that have been obtained by the Borrower, no consent or approval of any other party (including, without limitation, any landlord that is party to a Lease) is required in connection with the execution, delivery and performance by the Borrower or any Guarantor of the Loan Documents to which it is a party in order to render this Agreement or any of the Loan Documents to which the Borrower or any Guarantor is a party legal, valid, binding or enforceable against such Person except, in each case, those consents or approvals which have been obtained.
- (g) **Financial Statements.** Except as disclosed in Schedule 5.1(g), the audited consolidated Financial Statements most recently delivered to the Administrative Agent pursuant to Section 6.1(a) present fairly, in all material respects, the

financial position of the Borrower and its Subsidiaries as at such date and the unaudited consolidated Financial Statements of the Borrower and its Subsidiaries for the fiscal quarter or calendar month most recently ended present fairly, in all material respects, the financial position of the Borrower and its Subsidiaries as at such date, subject to normal year end adjustments. Since the date of the audited consolidated financial statements most recently delivered to the Administrative Agent, there has been no material adverse change in the assets, liabilities, condition (financial or otherwise) operations, or prospects of the Borrower or any of its Subsidiaries.

- (h) **Affiliate Transactions.** None of the Borrower, any Guarantor or any of their Subsidiaries has a Contractual Obligation with an Affiliate or engages in any transaction with any Affiliate, except (i) transactions among the Borrower and its Affiliates upon terms at least as favourable to such Person as an Arm's Length transaction with unaffiliated Persons, and (ii) the transactions described at Schedule 5.1(h).
- (i) **Litigation.** Other than actions, suits or proceedings claiming solely payment (whether by way of an amount owing, damages or otherwise) of an amount not exceeding \$250,000 in respect of any one matter or \$500,000 in the aggregate and except as disclosed in Schedule 5.1(i), on or before the Effective Date there are no actions, suits or proceedings pending or, to the best of the knowledge and belief of the Borrower and any Guarantor, threatened against or affecting the Borrower, any Guarantor or any of their Subsidiaries or any of their undertaking, property and assets, at law, in equity or before any arbitrator or before or by any Governmental Authority in respect of which the Borrower and any Guarantor have determined in good faith that there is a reasonable possibility of a determination adverse to the Borrower or any of its Subsidiaries and which could, if determined adversely, have a Material Adverse Effect and none of the Borrower, any Guarantor or any of their Subsidiaries is in default with respect to any Applicable Law or any order, writ, injunction or award of any government, commission, board, agency, court, arbitrator or instrumentality.
- (j) **Licences, etc. and Compliance with Laws.** All licences, franchises, certificates, consents, rights, rights-of-way, easements, entitlements, approvals, authorizations, registrations, orders and permits (collectively, "Permits") required to enable the Borrower, any Guarantor and their Subsidiaries to carry on their respective businesses as now conducted by them and to own, lease and operate their properties and assets have been duly obtained and are currently subsisting in good standing, except for such Permits, the absence of which has not had and could not reasonably be expected to have, a Material Adverse Effect. The Borrower, any Guarantor and each of their Subsidiaries have complied with all terms and provisions presently required to be complied with by them in all such Permits and with all Applicable Law and they are not in violation of any of the respective provisions thereof in respect of which such non-compliance or violation could have a Material Adverse Effect.

(k) **Compliance with Environmental Laws.**

- (i) The Borrower, any Guarantor and each of their Subsidiaries and, to the best of the knowledge of the Borrower and any Guarantor after due inquiry, those of any party having charge, management or control of any aspects of the Business, any Real Property of the Borrower and its Subsidiaries have been and are in compliance with Environmental Laws which are applicable to their operations and the release, emission, deposit, issuance, discharge, transportation or disposal ("**Release**") of any Hazardous Materials; the Borrower and its Subsidiaries have no liabilities (including contingent liabilities) in connection with any Release or likely Release and there are no conditions on any Real Property, which now, or with the passage of time or the giving of notice or both, may give rise to liability, and in respect of which such non-compliance, liabilities or conditions could have a Material Adverse Effect;
 - (ii) none of the Borrower, any Guarantor, or any of their Subsidiaries has received notice of or is aware of any judicial or administrative proceeding alleging with respect to it the violation of or any potential liability under any Environmental Laws and none of the Borrower, any Guarantor or any of their Subsidiaries has received notice of or is aware of or is subject to any Environmental Claim; and
 - (iii) none of the Borrower, any Guarantor or any of their Subsidiaries or, to the best of the knowledge of the Borrower and any Guarantor after due inquiry, any party having charge, management or control of any aspect of the Business or any Real Property, has ever caused or permitted any Hazardous Material to be used, placed, held, located, stored, released or disposed of on, in, under, through or at any such property or any part thereof or any other location that could give rise to liability to the Borrower or the Subsidiaries except in compliance with Environmental Laws.
- (l) **Encumbrances.** The Borrower, any Guarantor and each of their Subsidiaries has good and valid title to all of its Property and there are no Liens on any of the Property or undertaking of the Borrower or any Guarantor other than Permitted Encumbrances.
- (m) **No Default or Event of Default.** Except for the Events of Default that have been waived pursuant to Section 12.2, no Default or Event of Default has occurred and is continuing or would result from the execution, delivery or performance of the Obligations under any of the Loan Documents.
- (n) **No Agreement to Sell Assets, Etc.** Other than the sale of Inventory in the ordinary course of business, none of the Borrower, any Guarantor or any of their Subsidiaries has any legal obligation, absolute or contingent, to any Person to sell its Property (except as permitted by Section 6.2(d)) or to effect any merger,

consolidation or other reorganization of the Borrower, such Guarantor or such Subsidiary, as the case may be (except as permitted by Section 6.2(c)), or to enter into any agreement with respect thereto.

- (o) **No Action for Winding-Up or Bankruptcy.** There has been no voluntary or involuntary action taken either by or against the Borrower, any Guarantor or any of their Subsidiaries for any such corporation's winding-up, dissolution, liquidation, bankruptcy, receivership, administration or similar or analogous events in respect of such corporation or partnership or all or any material part of its assets or revenues.
- (p) **Taxes.** The Borrower, any Guarantor and each of their Subsidiaries have filed all tax returns which were required to be filed, paid all Taxes (including interest and penalties) which are due and payable other than any Tax the payment of which is being contested in good faith by proper proceedings and for which adequate cash reserves are being maintained.
- (q) **Location of Business.** A true and complete list of the location of the chief executive office and places of business of the Borrower, and any Guarantor is set forth in Schedule 5.1(z). Schedule 5.1(z) also contains a complete list of all bank accounts and accounts with securities intermediaries (including account number, beneficiary name, and other institutional information) maintained by the Borrower and any Guarantor.
- (r) **Location of Collateral.** With the exception of inventory in transit, all tangible assets comprising the Borrower's Collateral (as that term is defined in the Borrower's Security Documents) and the Guarantor's Collateral (as that term is defined in the Guarantors' Security Documents) are situate in the provinces and territories of Canada in which a financing statement or similar notice, filing, registration statement or other instrument required or desired to perfect or crystallize a Lien in favour of the Administrative Agent has been filed against the Borrower or the Guarantor, as the case may be.
- (s) **Registrations.** All registrations, filings and recordings as are necessary to preserve, protect and perfect the charges and security interest created, or intended to be created by, the Security Documents have been made.
- (t) **Employee Benefit Plans.** All obligations of the Borrower, any Guarantor and their Subsidiaries (including fiduciary, funding, investment and administrative obligations, if any) required to be performed in connection with employee benefit plans of the Borrower, any Guarantor and their Subsidiaries have been performed on a timely basis.
- (u) **Pension Plans.** None of the Borrower, any Guarantor or any of their Subsidiaries is a party to, has agreed to become a party to or has any Indebtedness, liabilities, obligations under, arising from, relating to or in connection with any Pension Plan.

- (v) **Labour Matters.** There are no strikes or other labour disputes pending or, to the knowledge of Borrower and any Guarantor, after due inquiry or investigation, threatened against the Borrower, any Guarantor or any of their Subsidiaries. There are no proceedings pending or, to the knowledge of Borrower and any Guarantor, after due inquiry or investigation, threatened between the Borrower, any Guarantor or any of their Subsidiaries and any labour organization or the Borrower's, any Guarantor's or any of their Subsidiary's employees, as applicable, including any unfair labour practices, charges or complaints or allegations of sex, age, race or other discrimination that are likely to be adversely determined and if adversely determined could be reasonably expected to have a Material Adverse Effect. The Borrower, any Guarantor and each of their Subsidiaries have each complied with all employment contracts (including all collective bargaining agreements, if any), employment policies, arbitration awards, Applicable Law (including those relating to wages, hours and collective bargaining) and orders resulting from alleged violations of any Applicable Law and have no material liability for any arrears of wages, accrued benefits, taxes or penalties for any failure to comply with any of the foregoing.
- (w) **Intellectual Property.** Each of the Borrower, any Guarantor and each of their Subsidiaries owns, licenses or otherwise has the full right to use, under validly existing agreements, all patents, licenses, trademarks, trade names, trade secrets, copyrights and all rights with respect thereto, which are required to conduct the Business.
- (x) **Adequate Insurance.** All of the Collateral is insured with good and responsible companies against fire and other casualties in the same manner and to the same extent as such insurance is usually carried by Persons carrying on a similar business as that owned by the Borrower, any Guarantor or the relevant Subsidiary, as the case may be, and the Borrower, any Guarantor and each of their Subsidiaries maintains or causes to be maintained with good and responsible insurance companies adequate insurance against business interruption with respect to the operations of all such Property and liability on account of damage to Persons or Property, including damage resulting from product liability, and under all applicable workers' compensation laws, in the same manner and to the same extent as such insurance is usually carried by Persons carrying on a similar business and owning similar property, and attached hereto as Schedule 5.1(x) is a true and complete list of all insurance policies maintained by the Borrower, any Guarantor and each of their Subsidiaries in connection with the foregoing matters.
- (y) **Material Contracts.** Each Material Contract is in full force and effect and, except for the defaults under the Revolving Credit Facility that have been waived pursuant to Section 12.2, none of the Borrower, any Guarantor or any of their Subsidiaries is in default under any Material Contract and no event has occurred which, with the passage of time or the giving of notice or both, could constitute an event of default under any Material Contract or give rise to a right on the part of another party to terminate a Material Contract, the effect of any of which could be reasonably expected to have a Material Adverse Effect.

- (z) **Capitalization and Subsidiaries, Etc.** Part A of Schedule 5.1(z) sets forth for the Borrower, any Guarantor and each of their Subsidiaries, its jurisdiction of organization, the classes of its authorized capital, the number of shares of each such class authorized (as applicable) and issued and outstanding and the holders of such shares. Part B of Schedule 5.1(z) sets forth for the Borrower, any Guarantor and each of their Subsidiaries: (i) a description of the Property owned or leased by the Borrower, any Guarantor and each of their Subsidiaries or to which it has any right; and (ii) the Material Contracts and Indebtedness of the Borrower, any Guarantor and each of their Subsidiaries. Any Guarantor is a direct or indirect wholly-owned Subsidiary of the Borrower. None of the Borrower, any Guarantor or any of their Subsidiaries has any material investment or material equity interest in any other Person other than those entities described in Schedule 5.1(z) and any such investment or equity acquired in accordance with Section 6.2(h).
- (aa) **No Assets or Liabilities.** Other than (i) any Guarantor that has executed and delivered Guarantors' Security Documents to the Administrative Agent pursuant to Section 7.2, and (ii) 644562 Ontario Limited, the assets of which are comprised solely of 100% of issued and outstanding common shares in the capital of 720064 Ontario Limited, none of the Borrower's Subsidiaries owns, leases, licenses or otherwise holds any Property (including, for greater certainty, any Intellectual Property), has any obligations, liabilities or Indebtedness or engages in any business whatsoever, and none the Borrower's Subsidiaries is party to or has agreed to be a party to any Agreements or other arrangements with third parties or Affiliates.
- (bb) **Title; Possession under Leases.** Set forth in Part A of Schedule 5.1(bb) is a complete and accurate list of all Real Property owned by the Borrower and any Guarantor, with the owner of such property, the location of such property and a complete and accurate legal description of such property. Set forth in Part B of Schedule 5.1(bb) is a complete and accurate list of all Real Property leased by the Borrower and any Guarantor as lessee or sublessee, with the manager or landlord of such Real Property, the square footage of each premises, the expiry dates of each lease and the minimum rent payable thereunder and the location of such Real Property. Each of the Borrower and any Guarantor (i) owns and has good and marketable title to the Real Property referred to in Part A of Schedule 5.1(bb), subject only to the Permitted Encumbrances, (ii) has valid leasehold interests in the real property referred to in Part B of Schedule 5.1(bb), and enjoys peaceful and undisturbed possession under all leases and such leases are in good standing and no event or circumstance exists which with the passage of time or giving of notice or both could constitute a default thereunder, in each case which could reasonably be expected to have a Material Adverse Effect, and (iii) owns and has good and marketable title to all their other respective Properties and assets which are material to the business of such Person.
- (cc) **Solvency, Etc.** Each of the Borrower, any Guarantor and each of their Subsidiaries is Solvent and, after the execution and delivery of the Loan

Documents and the consummation of the transactions contemplated thereby, will be Solvent. None of the Borrower, any Guarantor or any of their Subsidiaries has (i) applied for or consented to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its Property or (ii) made a general assignment for the benefit of itself or any of its creditors.

- (dd) **No Material Adverse Effect.** No event has occurred and no condition exists which could be reasonably expected to have a Material Adverse Effect.
- (ee) **Accuracy of Information Furnished.** Each of the Borrower and any Guarantor has provided to Administrative Agent in writing all material information relating to its financial condition, business and prospects including all Material Contracts. The Loan Documents and the other certificates, statements and information furnished by the Borrower and any Guarantor to Administrative Agent in connection with the Loan Documents and the transactions contemplated thereby, do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. All projections furnished by each of the Borrower and any Guarantor to the Administrative Agent in connection with the Loan Documents and the transactions contemplated thereby have been based upon assumptions, believed by it at the time and as of the date hereof to be reasonable, and represent, as of their respective dates of presentations and as of the date hereof, such Person's best estimates of the future performance of the Borrower or such Guarantor, as the case may be.
- (ff) **Fiscal Year and Fiscal Quarters.** As of the date of this Agreement, the fiscal year of the Borrower and its Subsidiaries ends on the last Saturday in January of each calendar year, and the Borrower's and its Subsidiaries' fiscal quarters end on the Saturday that is the thirteenth, twenty-sixth, thirty-ninth and fifty-second (or fifty-third) week after the most recently completed fiscal year.
- (gg) **Patriot Act Compliance.** None of the Borrower any Guarantor or any shareholder, partner or any owner of a direct or indirect interest in the Borrower or any Guarantor (a) is listed on any Government Lists, (b) is a person who has been determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC or in any enabling legislation or other Presidential Executive Orders in respect thereof, (c) has been previously indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense, or (d) is currently under investigation by any Governmental Authority for alleged criminal activity; provided, however, the foregoing sentence shall not be deemed to apply to, include or cover any person, group, governmental authority or entity which is an owner of direct or indirect interest in any Borrower or in any entity affiliated with any Borrower if such interest exists by means of the ownership of stock or other Publicly-Traded Securities.

- (hh) **Confirmation of Security.** The security interests granted by the Borrower in favour of the Administrative Agent, as collateral agent for the benefit of the Lenders, pursuant to the Security Documents continue in full force and effect as continuing security for the due and timely payment and performance of the Obligations.

5.2 Survival of Representations and Warranties

The representations and warranties set out in this Article 5 shall survive the execution and delivery of this Agreement, notwithstanding any investigations or examinations which may be made by any Agent, any Lender or counsel to any of them. The Borrower and any Guarantor shall be deemed to have reaffirmed, for the benefit of the Lenders and each Agent, each representation and warranty contained in Section 5.1 on and as of the last date of each fiscal quarter of the Borrower.

ARTICLE 6 COVENANTS

6.1 Affirmative Covenants

Each of the Borrower and any Guarantor covenants and agrees with the Administrative Agent, the Servicing Agent where applicable, and each of the Lenders that, unless the Administrative Agent and the Required Lenders otherwise consent in writing, so long as any Obligation hereunder or under any Loan Document remains outstanding:

- (a) **Financial Reporting.** The Borrower shall deliver, or cause to be delivered, to the Administrative Agent and the Servicing Agent, with sufficient original copies for each Lender:
- (i) as soon as available and in no event later than 30 days after the last day of each calendar month of each fiscal year of the Borrower, a copy of the internal monthly financial statements of the Borrower and its Subsidiaries (prepared on a consolidated basis) and consisting of at least a statement of income, a statement of cash flows and a balance sheet for such month;
 - (ii) as soon as available and in no event later than 45 days after the last day of each fiscal quarter of each fiscal year of the Borrower, a copy of the Financial Statements of the Borrower and its Subsidiaries (prepared on a consolidated basis) for such fiscal quarter and for the fiscal year to date certified as true, correct and complete by the Borrower;
 - (iii) for the fiscal year ended January 26, 2008, no later than July 15, 2009, for the fiscal year ended January 31, 2009, no later than August 15, 2009, and for each fiscal year thereafter, as soon as available and in no event later than 105 days after the close of each fiscal year of the Borrower, (A) copies of the audited Financial Statements of the Borrower and its Subsidiaries (prepared on a consolidated basis) for such year, audited by independent certified public accountants of recognized national standing

acceptable to the Lenders, (B) copies of the opinions (which opinions and the Financial Statements to which such opinions relate shall not contain any qualification which is in the nature of a limitation on scope or ability to audit or of a going concern or similar nature) and, to the extent delivered, management letters delivered by such accountants in connection with all such Financial Statements and (C) certificates of such accountants to the Lenders stating that in making the examination necessary for their opinion they have reviewed this Agreement and have obtained no knowledge of any Default which has occurred, or if, in the opinion of such accountants, a Default has occurred, a statement as to the nature thereof;

- (iv) together with the Financial Statements delivered pursuant to Sections 6.1(a)(ii) and 6.1(a)(iii), a certificate of the Chief Financial Officer of the Borrower to the effect that the information contained in such statements is prepared and presented in accordance with GAAP and in a manner consistent with the past practices of the Borrower and that such Financial Statements are true and correct in all material respects, subject to normal year-end audit adjustments in the case of unaudited Financial Statements, and present fairly the results of operations and changes in the financial position of the Borrower as of and to the date of such Financial Statements, stating that the Borrower is in compliance with the covenants set forth in Article 6 including, without limitation, those financial covenants set forth in Section 6.3 and, in respect of such financial covenants providing detailed calculations evidencing compliance therewith, that each of the representations and warranties of the Borrower set forth in Section 5.1 is true and correct by reference to the facts and circumstances existing on the date of such certificate (or specifying inaccuracies therein), that no Default or Event of Default has occurred (or specifying such non-compliance or Default or Event of Default and stating what action, if any, the Borrower or a Guarantor is taking in connection therewith); and
 - (v) such other financial information as the Administrative Agent or the Servicing Agent may request from time to time, acting reasonably.
- (b) **Corporate Status.** Subject to Section 9.1, the Borrower and any Guarantor shall remain a corporation duly incorporated or amalgamated, as applicable, and validly subsisting under the laws of Canada or a province thereof and the Borrower and any Guarantor shall cause each of its Subsidiaries to remain duly incorporated, formed or organized and validly subsisting under the laws of its existing jurisdiction of incorporation or formation, as the case may be, or the laws of Canada or any other province thereof and, in each case, registered or otherwise qualified in all material respects to carry on business in each jurisdiction where necessary to conduct its business.
- (c) **Conduct of Business.** The Borrower and any Guarantor shall, and shall cause each of its Subsidiaries to (i) preserve and maintain all of its rights, privileges and

franchises reasonably necessary to the conduct of its business, (ii) conduct its business activities in compliance with Applicable Law (including Environmental Laws) and contractual obligations applicable to such Person or such Person's Property, and (iii) keep all Property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted (including removing any Hazardous Materials Released on such Property in exceedance of Environmental Laws), except, in each case, where any failure could not be reasonably expected to have a Material Adverse Effect.

- (d) **Insurance.** The Borrower and any Guarantor shall, and shall cause each of its Subsidiaries to:
- (i) carry and maintain insurance with insurers acceptable to the Administrative Agent, acting reasonably, in at least such amounts, of such character and against such risks as is maintained by such Person on the date of this Agreement and described in the certificates of insurance delivered to the Administrative Agent pursuant to Section 4.1 or, if such insurance is not available on a commercially reasonable basis, with the prior written consent of the Required Lenders, insurance with insurers acceptable to the Administrative Agent, acting reasonably, in such amounts, of such character and against such risks customarily carried from time to time during the term of this Agreement by comparable businesses engaged in substantially the same business as such Person and operating in the same geographic area as such Person, including but not limited to, fire and extended coverage, public liability, property damage, workers' compensation, business interruption, flood and such other coverage as the Required Lenders may reasonably request;
 - (ii) obtain and maintain the endorsements described in Section 4.1(e) for all such insurance; and
 - (iii) deliver to the Administrative Agent copies of any insurance certificates evidencing the insurance required to be obtained and maintained hereunder forthwith upon receipt by the Borrower or a Guarantor, as the case may be, of any such certificate.
- (e) **Payment of Taxes.** The Borrower and any Guarantor shall, and shall cause each of its Subsidiaries to, pay or cause to be paid, when due, all Taxes, property taxes, business taxes, social security and assistance premiums, health taxes, employment insurance, premiums, Canada pension plan premiums, provincial pension plan premiums, assessments and governmental charges or levies imposed upon it or upon its income, sales, capital or profit or any property belonging to it unless any such Tax, social security premiums, assessment, charge or levy is contested by it in good faith by proper proceedings with adequate cash reserves being set aside, and to collect and remit when due all payroll deductions and withholding taxes.

- (f) **Performance of Contractual Obligations.** Each of the Borrower and any Guarantor shall perform all of its contractual obligations to be performed by it in a timely manner and shall pay all amounts thereunder when due except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.
- (g) **Keeping of Books.** The Borrower and any Guarantor shall, and shall cause each of its Subsidiaries to, keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower, any Guarantor and each of their Subsidiaries in accordance with GAAP.
- (h) **Notice of Event of Default.** Each of the Borrower and any Guarantor shall deliver to the Administrative Agent and the Servicing Agent, forthwith upon becoming aware of any Default or Event of Default, an Officer's Certificate specifying such Default or Event of Default together with a statement of an officer of the Borrower or the Guarantor, as the case may be, setting forth details of such Default or Event of Default and the action which has been, or is proposed to be, taken with respect thereto.
- (i) **Other Notifications.** Each of the Borrower and any Guarantor shall promptly notify the Administrative Agent and the Servicing Agent of:
 - (i) any change in the name or jurisdiction of incorporation or organization of the Borrower or any of its Subsidiaries and of any change in the location of the registered office or chief executive office of any of them which are subject to a Lien in favour of the Administrative Agent not less than 30 days prior to any such change;
 - (ii) the Borrower's or Guarantor's opening a bank account or securities account (including all information related thereto) at least 30 days prior to depositing any cash or Cash Equivalents in such account;
 - (iii) any proposal to operate any of its retail outlets under a trade name other than "Tip Top Tailors", "Mr. Big & Tall", "George Richards Big & Tall", "Grafton & Co.", "Stonehouse" "Kingsport" and "Kingsport Clothier" or any derivation thereof not less than 30 days prior to any such proposed change;
 - (iv) any proposal to acquire any Real Property not less than 30 days prior to any such proposed acquisition and any proposal to carry on business in Quebec, any of the territories of Canada or any jurisdiction outside of Canada;
 - (v) any notices of default received by the Borrower and any of its Subsidiaries under any Material Contracts, Permits or Leases;

- (vi) any action, suit, proceeding, complaint, notice, order or Environmental Claim of which the Borrower or the Guarantor or any of their Subsidiaries becomes aware (and which has not been disclosed in Schedule 5.1(i)) which is pending or issued against or, to the best of its information, knowledge and belief, could affect the Borrower, any Guarantor or any of their Subsidiaries or any of their undertaking, property and assets at law, in equity or before any arbitrator or before or by any Governmental Authority in respect of which the Borrower determines in good faith that there is a reasonable possibility of a determination adverse to the Borrower, any Guarantor or any of their Subsidiaries which could, if determined adversely, have a Material Adverse Effect;
- (vii) any action, suit or proceeding claiming payment (whether by way of an amount owing, damages or otherwise) of an amount exceeding \$500,000 in respect of any one matter or \$1,000,000 in the aggregate;
- (viii) any environmental site assessment or audit report or similar environmental document required to be submitted to any Governmental Authority with respect to any operations or Real Property currently or formerly owned, leased or operated by the Borrower, any Guarantor or any Subsidiary of the Borrower or any Guarantor, and the Borrower and any Guarantor shall make a copy of such report available to the Lenders. If any such report sets out compliance or remedial action that is to be undertaken by the Borrower, any Guarantor or any of their Subsidiaries and the cost of such actions are estimated to exceed \$500,000, the Borrower and any Guarantor shall provide evidence satisfactory to the Lenders of expenditures made from time to time to effect such remedial or compliance action within such time as may be prescribed by (or undertaken with notice to) the Governmental Authority;
- (ix) the issuance by the Borrower or any Guarantor, or any of their Subsidiaries of any equity or Indebtedness, other than drawdowns under the Revolving Credit Facility and any issuances of equity by the Borrower, a Guarantor or of its Subsidiaries to the Borrower or any of its wholly-owned Subsidiaries, including details thereof and gross proceeds and costs and expenses of issue;
- (x) any trade account of the Borrower, a Guarantor or any of their Subsidiaries becoming secured by way of a bank letter or guarantee, with the notice including a statement that such security shall be assigned by the Borrower and/or the applicable Guarantor, as applicable, in favour of the Administrative Agent, if the Administrative Agent so requests; and
- (xi) the results of any report providing an actuarial valuation or other assessment of any Pension Plan of the Borrower or any of its Subsidiaries, upon any such report being made available to the Borrower.

- (j) **Compliance with Applicable Laws.** The Borrower and any Guarantor shall, and shall cause each of their Subsidiaries to, comply with all Applicable Laws, including Environmental Laws, the non-compliance with which could reasonably be expected to have a Material Adverse Effect and the Borrower and any Guarantor shall, and shall cause each of their Subsidiaries to, comply with the terms of and maintain all consents, licences, franchises, certificates, consents, rights, approvals, authorizations, registrations, orders or permits from, and make such filings with, any Governmental Authority and to comply with such Applicable Laws as may be necessary to carry on its respective businesses, to own, lease and operate its properties and to enable the Borrower and any Guarantor to enter into and perform their obligations under Loan Documents or to render this Agreement or the Security Documents legal, valid, binding or enforceable.
- (k) **New Subsidiaries.** Each of the Borrower and any Guarantor shall, at its own expense, promptly, and in any event at least 15 Banking Days prior to the formation or acquisition of a new Subsidiary of the Borrower or a Guarantor after the Closing Date (i) notify the Lenders of such event, (ii) cause the Security Documents to be amended as appropriate in light of such event to pledge the Stock of any such Person that is a wholly-owned Subsidiary to the Lenders and execute and deliver all documents or instruments required thereunder or appropriate to perfect the Liens created thereby, (iii) deliver to the Administrative Agent, all stock certificates, if any, and other instruments added to the Collateral thereby free and clear of all Liens other than Liens referred to in paragraph (a) of the definition of Permitted Encumbrances, accompanied by undated stock powers or other instruments of transfer executed in blank, the Lenders have a first priority perfected Liens in such securities, (iv) cause each Person that becomes a wholly-owned Subsidiary of the Borrower or a Guarantor after the date hereof to become a party to the Guarantee pursuant to an assumption agreement in the form annexed to the Guarantee or otherwise pursuant to documentation which is in form and substance satisfactory to the Lenders, acting reasonably, (v) cause each Person that becomes a wholly-owned Subsidiary of the Borrower or a Guarantor after the date hereof to execute each other Guarantors' Security Document and other documents (including each financing statement) reasonably requested by the Required Lenders to be filed, registered or recorded in order to create in favour of the Lenders a valid, legal and perfected Liens on the Collateral subject to the Security Documents to be so filed, registered or recorded and evidence thereof delivered to the Lenders, (vi) deliver to the Administrative Agent certified copies of the new Subsidiary's constating documents and borrowing by-laws (if any), a resolution authorizing the Guarantee and other Security Documents entered into by such new Subsidiary, the incumbency of the officers of the Guarantor signing such agreements and any other documents or instruments to be provided pursuant to the provisions thereof and the provisions of this Agreement and a certificate of status, good standing or like certificate with respect to such Guarantor issued by appropriate government officials of its jurisdiction of incorporation, and (vii) provide the Administrative Agent with such legal opinions with respect to such

new Guarantor as it may reasonably require in connection with the matters referred to herein.

- (l) **Visitation Rights.** Each of the Borrower and any Guarantor shall, at the Borrower's or Guarantor's, as the case may be, sole cost and expense, permit the Administrative Agent and the Servicing Agent and each Lender, at any reasonable time or times, within normal business hours, following two Business Days' notice to the Borrower and any Guarantor, to visit the properties and offices of and examine and make copies of and abstracts from the books and records of the Borrower, any Guarantor and their Subsidiaries and to meet with the Borrower's and the Guarantor's employees, officers and auditors at the Borrower's or the relevant Guarantor's properties and offices, provided that (i) until the occurrence of an Event of Default which is continuing, any such visits that are made more frequently than once per fiscal quarter shall be at the Administrative Agent's, the Servicing Agent's or relevant Lender's, as the case may be, sole cost and expense, and (ii) after the occurrence of an Event of Default which is continuing, the Administrative Agent, the Servicing Agent and the Lenders shall be entitled to visit the properties and offices of and examine and make copies of and abstracts from the books and records of the Borrower, any Guarantor and their Subsidiaries and to meet with the Borrower's and the Guarantor's employees, officers and auditors at the Borrower's or the relevant Guarantor's properties and offices, without prior notice to, and at the sole cost and expense of, the Borrower and any Guarantor.
- (m) **Compliance with Material Leases, Contracts and Other Agreements.** Each of the Borrower and any Guarantor shall, and shall cause each of their Subsidiaries to, comply and perform its obligations under all Leases, contracts and other agreements to which it is a party or by which it is bound if the non-compliance or non-performance of obligations thereunder could reasonably be expected to have a Material Adverse Effect.
- (n) **Registrations.** Each of the Borrower and any Guarantor shall, and shall cause each of their Subsidiaries to, maintain all such registrations, filings and recordings as are necessary to preserve, protect and perfect the charges and security interest created, or intended to be created, by the Security Documents.
- (o) **Budget.** The Borrower shall deliver to the Administrative Agent and the Servicing Agent as soon as practicable, and in any event not later than 60 days after the commencement of each fiscal year of Borrower, projected financial statements for the following fiscal year, including in each case, projected balance sheets, statements of income and retained earnings and statements of cash flow of the Borrower, any Guarantor and each of their Subsidiaries, all in reasonable detail and in any event to include projected Capital Expenditures.
- (p) **Revolving Credit Facility.** The Borrower and any Guarantor shall ensure that (A) the principal amount of the loan under the Revolving Credit Facility, (B) the mark to market value under any hedge agreements between the Borrower or its

Affiliates and the Revolving Lender and its Affiliates, and (C) any payments to any Affiliates of the Revolving Lender in respect of cash management services provided to the Borrower or its Affiliates that are not being applied on account of the loan under the Revolving Credit Agreement, shall not exceed at any time \$35,000,000.

- (q) **Stonehouse Subordinated Note.** The Borrower and any Guarantor shall ensure that the principal amount of the Stonehouse Subordinated Note shall not at any time exceed \$12,000,000, as the same may be increased as a result of the capitalization of interest in accordance with the Subordination Amendment Agreement.
- (r) **Change in GAAP.** If there is any change during any fiscal year of the Borrower (each, a "**Modified Financial Reporting Fiscal Year**") from the accounting policies, practices and calculation methods used by the Borrower in preparing its audited financial statements (as a result of changes in GAAP) which would materially change the results of the calculation of EBITDA, the Consolidated Leverage Ratio or Cumulative Free Cash Flow, the Borrower shall provide the Lenders with all information that the Administrative Agent or the Servicing Agent reasonably requires to ensure that reports on such calculations provided to the Lenders after any such change are comparable to previous reports and the parties shall negotiate appropriate amendments to Sections 2.8(b) and 6.3 to reflect such changes as soon as possible, pending which all such calculations shall continue to be made based on the accounting policies, practices and calculation methods that were used in preparing the audited financial statements for the Borrower for its fiscal year ended January 31, 2007 (or, if applicable, the most recent Modified Financial Reporting Fiscal Year for which appropriate amendments were made to Sections 2.8(b) and 6.3 to reflect the changed accounting policies, practices and calculation methods applied in such Modified Financial Reporting Fiscal Year) if the changed policies, practices and methods would affect the results of those calculations.
- (s) **Delivery of Documents.** The Borrower shall deliver to the Administrative Agent or the Servicing Agent forthwith upon request any such additional evidence, documents or undertakings as the Administrative Agent or the Servicing Agent may reasonably request in connection with this Agreement or any of the other Loan Documents, including such other documents as the Administrative Agent may require to give effect to, register and perfect the security interests created by the Security Documents in the jurisdiction where such charged assets are located.
- (t) **Patriot Act Compliance.** The Borrower shall use its good faith and commercially reasonable efforts to comply and to cause its Subsidiaries to comply with the Patriot Act and all applicable requirements of Governmental Authorities having jurisdiction over the Borrower and the Collateral, including those relating to money laundering and terrorism. The Administrative Agent, the Servicing Agent and each Lender shall have the right to audit the compliance of the Borrower and its Subsidiaries with the Patriot Act and all applicable requirements

of Governmental Authorities having jurisdiction over the Borrower, its Subsidiaries and the Collateral, including those relating to money laundering and terrorism if it has a reasonable basis for believing that the Borrower or any of its Subsidiaries may not be in compliance. In the event that the Borrower or any of its Subsidiaries fails to comply with the Patriot Act or any such requirements of Governmental Authorities, then the Administrative Agent, the Servicing Agent or any Lender may, at its option, cause the Borrower to comply therewith and any and all reasonable costs and expenses incurred by the Administrative Agent, the Servicing Agent, or such Lender in connection therewith shall be secured by the Security and the Loan Documents and shall be immediately due and payable.

6.2 Negative Covenants

The Borrower and any Guarantor covenants and agrees with the Administrative Agent and the Lenders that, unless the Administrative Agent and the Required Lenders otherwise consent in writing, so long as any Obligation hereunder or under any Loan Document remains outstanding:

- (a) **Restriction on Indebtedness.** The Borrower and any Guarantor shall not, and shall not permit any of their Subsidiaries to, create, incur, assume or otherwise become liable upon or suffer to exist (after knowledge of the existence thereof) any Indebtedness other than Permitted Indebtedness, provided that, if no Default or Event of Default shall have occurred and be continuing at the time or as a consequence of the incurrence of such Indebtedness, the Borrower or any Guarantor may incur Indebtedness if both before and after giving effect to the incurrence of such Indebtedness and the receipt and application of proceeds thereof, the Borrower's Consolidated Leverage Ratio is less than 3.25 to 1 on a *pro forma* basis.
- (b) **Restriction on Issuance of Disqualified Capital Stock.** The Borrower and any Guarantor shall not create, incur, assume or otherwise become liable upon or suffer to exist (after knowledge of the existence thereof) any Disqualified Capital Stock, provided that, if no Default or Event of Default shall have occurred and be continuing at the time or as a consequence, of the issuance of such Disqualified Capital Stock, the Borrower or any Guarantor may issue Disqualified Capital Stock if both before and after giving effect to such issuance and the receipt and application of proceeds thereof, the Borrower's Consolidated Leverage Ratio is less than 3.25 to 1 on a *pro forma* basis after giving effect to the issuance of such Disqualified Capital Stock.
- (c) **No Merger, Amalgamation, etc.** The Borrower and any Guarantor shall not, directly or indirectly, sell, lease, transfer, assign, convey or otherwise dispose of all or a material part of its property and assets (including pursuant to a Sale and Lease-Back Transaction), and will not merge or amalgamate or effect any reorganization pursuant to any plan of arrangement pursuant to statutory authority or otherwise with any other Person except upon compliance with Article 9.

- (d) **Limitation on Asset Sales.** The Borrower and any Guarantor shall not consummate an Asset Sale unless:
- (i) the Borrower, the Guarantor or such Subsidiary, as the case may be, receives consideration at the time of such sale or other disposition at least equal to the fair market value of the assets sold or otherwise disposed of; and
 - (ii) not less than 85% of the consideration received by the Borrower, such Guarantor or such Subsidiary, as the case may be, is in the form of cash or Cash Equivalents except to the extent such Asset Sale constitutes a Permitted Asset Sale.

In the event of the transfer of substantially all of the property and assets of the Borrower, a Guarantor or a Subsidiary of the Borrower or a Guarantor as an entirety to a Person in a transaction permitted under Section 9.1, the successor Person shall be deemed to have sold the properties and assets of the Borrower, such Guarantor or such Subsidiary not so transferred for purposes of this Section 6.2(d), and shall comply with the provisions of this Section 6.2(d) with respect to such deemed sale as if it were an Asset Sale.

- (e) **Limitation on Sale and Lease-Back Transactions.** The Borrower and any Guarantor shall not, and shall not permit any of their Subsidiaries to, enter into any Sale and Lease-Back Transaction; provided that the Borrower, a Guarantor or any of their Subsidiaries may enter into a Sale and Lease-Back Transaction if:
- (i) the Borrower, such Guarantor or such Subsidiary, as applicable, could have incurred Indebtedness (other than Permitted Indebtedness) in an amount equal to the Attributable Indebtedness relating to such Sale and Lease-Back Transaction under Section 6.2(a) and incurred a Lien to secure such Indebtedness pursuant to Section 6.2(j);
 - (ii) the gross cash proceeds of that Sale and Lease-Back Transaction are at least equal to the fair market value of the Property sold; and
 - (iii) the transfer of assets in that Sale and Lease-Back Transaction is permitted by, and the Borrower, such Guarantor or such Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with Section 6.2(d).
- (f) **Limitation on Restrictive Agreements.** The Borrower and any Guarantor shall not, and shall not permit any their Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual Lien or restriction on the ability of the Borrower, any Guarantor or any of their Subsidiaries to: (i) pay dividends or make any other distributions to the Borrower, a Guarantor or any of their Subsidiaries on its Stock or with respect to any other interest or participation in, or measured by, its profits; (ii) repay the Advance; (iii) make loans or advances or capital contributions to the Borrower, a Guarantor or any of their Subsidiaries; or (iv) transfer any of its Property to the

Borrower, a Guarantor or any of their Subsidiaries, except in respect of any of (i) through (iv) above for: (A) Liens or restrictions existing on the Closing Date to the extent and in the manner such encumbrances and restrictions are in effect on the Closing Date; (B) encumbrances or restrictions existing under or by reason of this Agreement and the Guarantees; (C) encumbrances or restrictions existing under or by reason of Applicable Law; (D) any encumbrance or restriction existing under Senior Indebtedness on the Closing Date, as amended on or prior to the Effective Date; (E) encumbrances or restrictions existing under or by reason of any instrument governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the Property of any Person, other than the Person, or the Property of the Person (including any Subsidiary of the Person), so acquired; (F) encumbrances or restrictions existing under or by reason of customary non-assignment provisions in leases or other agreements entered into in the ordinary course of business; (G) encumbrances or restrictions existing under or by reason of Refinancing Indebtedness, provided that such restrictions are no more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; (H) customary restrictions in security agreements or mortgages securing Indebtedness of the Borrower or a Guarantor or other Subsidiary of the Borrower to the extent such restrictions restrict the transfer of the property subject to such security agreements and mortgages; (I) in the case of clause (J) only, any encumbrance or restriction pursuant to an agreement for Permitted Purchase Money Security Interests; or (K) customary restrictions with respect to a Guarantor or other Subsidiary of the Borrower pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Stock or Property of such Guarantor or other Subsidiary of the Borrower.

- (g) **Limitation on Capital Expenditures.** The Borrower shall not make or commit to make, or permit any Guarantor or any Subsidiary of the Borrower or a Guarantor to make or commit to make, in any fiscal year (or part thereof) of the Borrower, any Capital Expenditure in excess of:
- (i) for the year ended January 30, 2010, \$2.25 million;
 - (ii) for the year ended January 29, 2011, \$2.50 million; and
 - (iii) for each of the years ended January 28, 2012 and January 26, 2013, \$3.50 million;

provided that, notwithstanding the maximum amounts set forth above, the Borrower and any Guarantor shall be permitted to make or commit to make up to a maximum aggregate amount of \$6,000,000 of Capital Expenditures per fiscal year from and after the first fiscal quarter following the Effective Date in which the ratio of Senior Indebtedness to LTM EBITDA is equal to or less than 3.5:1 on an actual and *pro forma* basis, giving effect to any proposed Capital Expenditure to be made during such quarter as if it had occurred on the last day of such fiscal quarter, and provided further that the Borrower and any Guarantors are otherwise

in compliance with this Agreement and the other Loan Documents and will continue to be in compliance with this Agreement and the other Loan Documents after making any proposed Capital Expenditure.

- (h) **Limitations on Restricted Payments.** The Borrower and any Guarantor shall not, and shall not permit any of their Subsidiaries to, directly or indirectly, make any Restricted Payment; provided that the provisions of this Section 6.2(h) shall not prohibit:
- (i) the repurchase, redemption or other acquisition or retirement of any shares of Stock of the Borrower or Indebtedness subordinated to the Facility by conversion into, or by or in exchange for, shares of Stock of the Borrower (other than Disqualified Capital Stock) or out of the Net Proceeds of the substantially concurrent sale (other than to a Subsidiary of the Borrower) of other shares of Capital Stock of the Borrower (other than Disqualified Capital Stock);
 - (ii) the repurchase, redemption, repayment, retirement, defeasance or other acquisition for value of Indebtedness of the Borrower subordinated to the Facility in exchange for, by conversion into, or out of the Net Proceeds of a substantially concurrent sale or incurrence of, Indebtedness of the Borrower (other than any Indebtedness owned to a Subsidiary of the Borrower) that is Refinancing Indebtedness;
 - (iii) the retirement of any shares of Disqualified Capital Stock of the Borrower by conversion into, or by exchange for, shares of Disqualified Capital Stock of the Borrower, or out of the Net Proceeds of the substantially concurrent sale (other than to a Subsidiary of the Borrower) of other shares of Disqualified Capital Stock of the Borrower;
 - (iv) provided that (i) with respect to the payment of Management Fees, there is no Default that is continuing, (ii) with respect to the payment of interest under the Stonehouse Subordinated Note, there is no Event of Default that is continuing, and (iii) in each case, the ratio of Senior Indebtedness to LTM EBITDA, measured as of the last day of the immediately preceding fiscal quarter of the Borrower, is equal to or less than 3.5:1 on an actual and *pro forma* basis, giving effect to the proposed payment as if it had been made on the last day of such fiscal quarter, the payment of Management Fees to GB Merchant Partners LLC up to a maximum of \$150,000 per fiscal quarter or the payment of interest under the Stonehouse Subordinated Note. If the payment of any Management Fees is prohibited pursuant to this Section 6.2, such fees shall, notwithstanding that they may continue to accrue, not be paid until such time as this Agreement ceases to be in effect and all of the Obligations have been indefeasibly paid and satisfied in full by the Borrower. If the payment of any interest on the Stonehouse Subordinated Note is prohibited pursuant to this Section 6.2, such interest shall, in lieu of being paid in cash, be

capitalized and added to the principal amount of the Stonehouse Subordinated Note; or

- (v) the purchase for cancellation or redemption by the Borrower and any Guarantor of any Stock in the capital of the Borrower or the Guarantor, as the case may be, from its respective employees up to a maximum aggregate amount of \$375,000 or the purchase for cancellation or redemption by the Borrower of any Stock in the capital of the Borrower from the estate of a senior executive of the Borrower up to a maximum aggregate amount of \$2,500,000, provided that any such purchase of stock from the estate of a senior executive shall be made only using proceeds of life insurance policies that the Borrower has obtained with respect to such senior executive.

- (i) **Limitation on Transactions with Affiliates.** The Borrower and any Guarantor shall not, and shall not permit any of their Subsidiaries to, directly or indirectly, (i) enter into, amend or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) with any Affiliate (each, an "Affiliate Transaction") or (ii) extend, renew, waive or otherwise modify in any material respect the terms of any Affiliate Transaction entered into prior to or on the Closing Date unless: (a) such Affiliate Transaction is between or among the Borrower and one or more of its wholly-owned Subsidiaries that are also Guarantors; or (b) the terms of such Affiliate Transaction are at fair market value and on terms that could reasonably be expected to be obtained by the Borrower or such Guarantor, as the case may be, in a comparable transaction made on an Arm's Length basis between unaffiliated parties and such transaction otherwise complies with the terms of this Agreement and the other Loan Documents. The foregoing restrictions on Affiliate Transactions shall not apply to:

- (i) any Restricted Payment that is not prohibited by the provisions described in Section 6.2(h);
- (ii) any transaction pursuant to an agreement, arrangement or understanding existing on the Closing Date and described in Schedule 5.1(z);
- (iii) reasonable fees and compensation paid to, and any indemnity provided to or on behalf of, any officers, directors or employees of the Borrower, the Guarantor or any Affiliate of the Borrower or of such officers, directors or employees as determined in good faith by the Borrower's or the Guarantor's board of directors or senior management thereof;
- (iv) any transaction between the Borrower or any Guarantor and their Affiliates involving ordinary course investment banking, commercial banking or related activities;

- (v) any transaction with any Affiliate solely in its capacity as a holder of Indebtedness or Stock of the Borrower or any of its Subsidiaries where the Affiliate is treated no more favourably than holders of Indebtedness or such Stock generally; and
- (vi) any transaction permitted by the provisions described in Section 9.1.
- (j) **No Liens.** The Borrower and any Guarantor shall not, and shall not permit any of their Subsidiaries to, create, incur, assume or permit to exist any Lien, other than Permitted Encumbrances, on any of its Property, undertaking or assets now owned or hereafter acquired.
- (k) **Negative Pledge.** The Borrower and any Guarantor shall not enter into any agreement prohibiting the creation or assumption of any Lien upon its Property or other assets, whether now owned or hereafter acquired, except pursuant to:
 - (i) this Agreement or any other Loan Document;
 - (ii) the Revolving Credit Facility; and
 - (iii) Leases of Real Property entered into by the Borrower or any Guarantor in the ordinary course of business, provided such Leases do not limit the Liens in favour of the Lenders created under any Loan Document.
- (l) **Fundamental Changes.** Neither the Borrower nor any Guarantor will engage in any business which is material when considered against the consolidated business of the Borrower, other than Business.
- (m) **Fiscal Year.** Neither the Borrower nor any Guarantor will change its fiscal year end or fiscal quarter ends.
- (n) **Restriction on Subsidiaries.** The Borrower and any Guarantor shall not permit any of its Subsidiaries (other than 644562 Ontario Limited, the assets of which are comprised solely of 100% of the issued and outstanding shares in the capital of 720064 Ontario Limited) to own, lease, license or otherwise hold any Property (including, for greater certainty, any Intellectual Property), to engage in any business whatsoever, including entering into any Agreements or other arrangements with third parties or Affiliates and incurring any Indebtedness, unless the Borrower or the Guarantor (i) delivers not less than 30 days' written notice of its intention to cause such Subsidiary to own, lease, license or otherwise hold Property or to engage in such business; and (ii) such Subsidiary enters into the Guarantors' Security Documents prior the time when it commences owning, leasing, licensing or otherwise holding Property or engaging in such business, as the case may be.
- (o) **No Pension Plans.** The Borrower and any Guarantor shall not, and shall not permit any of their Subsidiaries to, become or agree to become a party to any Pension Plan or incur any Indebtedness, liabilities, obligations under, arising

from, relating to or in connection with any Pension Plan without the prior written consent of the Administrative Agent, acting reasonably.

6.3 Financial Covenants

The Borrower covenants and agrees with the Administrative Agent and the Lenders that, unless the Administrative Agent and the Required Lenders otherwise consent in writing, so long as any Obligation hereunder or under the other Loan Documents remains outstanding, the Borrower and any Guarantor:

- (a) shall not, as of each fiscal quarter end of the Borrower set forth below, permit the LTM EBITDA to be less than the amount set forth below:

<u>For the Fiscal Quarter Ended:</u>	<u>Minimum LTM EBITDA:</u>
January 30, 2010	\$9.75 million
May 1, 2010	\$10.1 million
July 31, 2010	\$10.5 million
October 30, 2010	\$10.5 million
January 29, 2011	\$11.0 million
All fiscal quarters ending from and including April 30, 2011 to the Maturity Date	\$11.5 million

- (b) shall not, as of each fiscal quarter end set forth below, permit the Consolidated Leverage Ratio to exceed the ratio set forth below:

<u>For the Fiscal Quarter Ended:</u>	<u>Ratio:</u>
January 30, 2010	5.85:1
May 1, 2010	5.85:1
July 31, 2010	5.50:1
October 30, 2010	5.50:1
January 29, 2011	5.00:1
April 30, 2011	5.10:1

July 30, 2011	4.80:1
October 29, 2011	4.80:1
All fiscal quarters ending from and including January 28, 2012 to the Maturity Date	4.60:1

- (c) For the purposes of the calculation of Senior Indebtedness and Consolidated Leverage Ratio under this Section 6.3, Indebtedness under the Revolving Credit Facility shall be the average daily revolver balance for the 90 day period immediately prior to the date of determination of the financial covenants.

ARTICLE 7
SECURITY

7.1 Borrower's Security Documents

As security for the Advance made to it and as security for all its Obligations and other liability or indebtedness, both present and future, hereunder, the Borrower has granted (the "Borrower's Security") in favour of the Administrative Agent as agent for itself and each Lender, (i) a first priority perfected security interest mortgage and charge in all of its present and after-acquired personal property, other than its accounts receivable and inventory; (ii) a second priority perfected security interest in its accounts receivable and inventory; and (iii) a security interest over its leasehold interests in the Headquarters and Warehouse, and shall deliver, or cause to be delivered to the Administrative Agent, any of the following documents (collectively called the "Borrower's Security Documents") not previously delivered to the Administrative Agent, all in form and substance satisfactory to the each Lender, duly executed by the Borrower:

- (i) a general security agreement of the Borrower;
- (ii) a collateral assignment of rights with respect to the Borrower's rights under the Stock Purchase Agreement, in form and substance satisfactory to the Administrative Agent;
- (iii) the Intercreditor Agreement;
- (iv) specific assignment agreements in registrable form with respect to any patents, trademarks, and copyrights owned or licensed by the Borrower; and
- (v) such other documents as the Administrative Agent and each Lender may now or hereafter require to give effect to, register and perfect the security interests created by the Borrower's Security Documents in the jurisdiction where such charged assets are located.

7.2 Guarantors' Security Documents

Forthwith after such time as the Borrower delivers notice under Section 6.2(n) of its intention to have any Subsidiary commence owning, leasing, licensing or otherwise holding Property or engage in any business whatsoever as described in Section 6.2(n), as security for the Advance made to the Borrower and as security for all of the other liability or indebtedness of the Borrower hereunder, any such Subsidiary (each such Subsidiary, a "Guarantor") shall assign, by way of security (the "Guarantors' Security") in favour of the Administrative Agent as agent for itself and each Lender, (i) a first priority perfected security interest mortgage and charge in all of its present and after-acquired Real Property and personal property, other than its accounts receivable and inventory; (ii) a second priority perfected security interest in its accounts receivable and inventory, and shall deliver, or cause to be delivered, the following documents (collectively called the "Guarantors' Security Documents") all in form and substance satisfactory to the Administrative Agent and each Lender, duly executed by the Guarantor:

- (a) the Guarantee;
- (b) the Intercreditor Agreement;
- (c) a general security agreement of the Guarantor;
- (d) specific assignment agreements in registrable form with respect to any patents, trademarks, and copyrights owned or licensed by the Guarantor;
- (e) a general assignment of leases with respect to any Real Property owned by the Guarantor;
- (f) deeds of trust and mortgage of the Guarantor creating a fixed specific mortgage lien in favour of Administrative Agent over its interest in any Real Property owned by the Guarantor;
- (g) the share certificates representing all of the outstanding shares of the Guarantor held by the Borrower and its Subsidiaries, together with signed and undated stock transfer powers in respect thereof and resolutions of the directors or shareholders of such Guarantor authorizing the transfer of such shares to the Administrative Agent or to any Person that the Administrative Agent may direct upon the pledge of such Shares; and
- (h) such other documents as the Administrative Agent and each Lender may now or hereafter require to give effect to, register and perfect the security interests created by the Guarantors' Security Documents in the jurisdiction where such charged assets are located.

ARTICLE 8
DEFAULT AND ACCELERATION

8.1 **Events of Default**

The occurrence of any one or more of the following events (each such event and the expiry of the cure period, if any, provided in connection therewith, being herein referred to as an "Event of Default") shall constitute an event of default under this Agreement:

- (a) if the Borrower shall fail to pay the principal of any Advance as and when the same becomes due and payable;
- (b) if the Borrower shall fail to pay interest on any Advance or to pay any fee, premium or other amount due hereunder within three Banking Days following the due date therefor;
- (c) if the Borrower shall, or shall permit any Guarantor or any other Subsidiary of the Borrower to, default applicable to it in the observance or performance of any agreement, covenant or condition contained in Section 6.1(i), 6.2 or 6.3;
- (d) if the Borrower, any Guarantor or any other Subsidiary of the Borrower shall default in the observance or performance of any agreement, covenant or condition contained in this Agreement or any other Loan Document (other than a covenant or condition whose breach or default in performance is elsewhere in this Section 8.1 specifically dealt with) and such default shall not be remedied, if capable of remedy, within a period of 30 days after such Default shall occur;
- (e) if the Borrower, any Guarantor or any other Subsidiary of the Borrower shall default in the observance or performance of its covenants under the Revolving Credit Facility and there shall occur any event of default (however described or designated) thereunder, whether or not waived;
- (f) if any one or more of the Borrower, any Guarantor or any other Subsidiary of the Borrower shall fail to pay the principal of, or premium or interest or other amounts on, any Indebtedness outstanding in a principal or notional amount which, when aggregated with the principal or notional amount of all other Indebtedness in respect of which any of them has failed to pay the principal of, or premium or interest or other amounts on, exceeds \$1,000,000 (excluding Indebtedness due to the Lenders hereunder when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness, whether or not such default has been waived by the applicable creditor, or any other event of default or early termination event (howsoever described or designated) shall occur or condition shall exist, and shall continue after the applicable grace period, if any, specified in any agreement or instrument relating to any such Indebtedness, whether or not such default has been waived by

the other party to such agreement or instrument, and the effect of such event is to accelerate, or permit the acceleration of, Indebtedness of either of them;

- (g) the Borrower or any Guarantor, or any of their Subsidiaries:
 - (i) becomes insolvent, or generally does not or becomes unable to pay its debts or meet its liabilities as the same become due, or admits in writing its inability to pay its debts generally, or declares any general moratorium on its indebtedness, or proposes a compromise or arrangement between it or any class of its creditors;
 - (ii) commits an act of bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) or under analogous foreign law, or makes an assignment of its property for the general benefit of its creditors under such Act or under analogous foreign law, or makes a proposal (or files a notice of its intention to do so) under such Act or under analogous foreign law;
 - (iii) institutes any proceeding seeking to adjudicate it an insolvent, or seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of its or its debts or any other relief, under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors (including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) and any applicable corporations legislation) or at common law or in equity, or files an answer admitting the material allegations of a petition filed against it in any such proceeding;
 - (iv) applies for the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator or other similar official for it or any substantial part of its property; or
 - (v) threatens to do any of the foregoing, or takes any action, corporate or otherwise, to approve, effect, consent to or authorize any of the actions described in this Section 8.1(g) or otherwise acts in furtherance thereof or fails to act in a timely and appropriate manners in defence thereof;
- (h) any petition is filed, application made or other proceeding instituted against or in respect of the Borrower or any Guarantor or any of their Subsidiaries:
 - (i) seeking to adjudicate it an insolvent;
 - (ii) seeking a receiving order against it under the *Bankruptcy and Insolvency Act* (Canada) or under analogous foreign law;

- (iii) seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts or any other relief under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors (including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) and any applicable corporations legislation or at common law or in equity; or
- (iv) seeking the entry of an order for relief or the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator or other similar official for it or any substantial part of its property;

and such petition, application or proceeding continues undismissed, or unstayed and in effect, for a period of 30 days after the institution thereof, provided that if an order, decree or judgment is granted or entered (whether or not entered or subject to appeal) against such Person thereunder in the interim, such grace period will cease to apply, and provided further that if such Person files an answer admitting the material allegations of a petition filed against it in any such proceeding, such grace period will cease to apply;

- (i) any other event occurs which, under the laws of any applicable jurisdiction, has an effect equivalent to any of the events referred to in either Sections 8.1(g) or 8.1(h) and if the event is equivalent to the event referred to in (h) the 30 day grace period will apply as set out in (h);
- (j) if any judgment or order or series of judgments or orders (whether or not related) for the payment of money in an aggregate amount in excess of \$1,000,000 (or the Equivalent Amount in any other currency), shall be rendered against any one or more of the Borrower, any Guarantor and their Subsidiaries and (i) such judgment or order or series of judgments and/or orders are final with no further right of appeal and the Borrower has not satisfied the Required Lenders, acting reasonably, that the Borrower or the relevant Guarantor or Subsidiary of the Borrower is able to satisfy such judgment or order or series of judgments and/or orders; or (ii) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or series of judgments and/or orders, as the case may be; or (iii) there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order or series of judgments and/or orders, as the case may be, by reason of a pending appeal or otherwise, shall not be in effect;
- (k) if any representation or warranty made or deemed to be made by the Borrower or any Guarantor in any of the Loan Documents shall prove to have been incorrect or misleading when made or deemed to be made;

- (l) if the Borrower, any Guarantor or any other Subsidiary of the Borrower shall be the subject of any proceeding or investigation pertaining to the discovery of any Hazardous Material on any property or the Release by such entity of any Hazardous Material or any violation of any Environmental Law shall occur which, in each case, could reasonably be expected to have a Material Adverse Effect;
- (m) if the obligations of the Borrower or any Guarantor or StonehouseCo hereunder or under any other Loan Document shall cease to constitute the legal, valid and binding obligations of the Borrower or any Guarantor or StonehouseCo or shall cease to be in full force and effect or the Borrower or any Guarantor shall have contested the validity of any of the Loan Documents or denied that it had any liability under any of the Loan Documents; or
- (n) if any of the Security shall cease to be a valid and perfected first priority security interest (or, with respect to accounts receivable and inventory, a valid and perfected second priority security interest) relative to third parties (subject to Permitted Encumbrances) except as a direct result of any acts or omissions of the Lenders.

8.2 Acceleration

(a) Upon the occurrence of an Event of Default and at any time thereafter while an Event of Default is continuing, the Administrative Agent may, or if so directed by the Required Lenders shall, by written notice to the Borrower declare the Advance made to the Borrower to be immediately due and payable (whereupon the same shall become so payable together with accrued interest thereon and any other sums then owed by the Borrower hereunder) or declare the Advance to be due and payable on demand of the Required Lenders. If, pursuant to this Section 8.2, the Administrative Agent declares the Advance made to the Borrower to be due and payable on demand, then, and at any time thereafter, the Administrative Agent may by written notice to the Borrower call for repayment of Advance on such date or dates as it may specify in such notice (whereupon the same shall become due and payable on such date together with accrued interest thereon and any other sums then owed by the Borrower hereunder and the provisions of Section 8.4 shall apply) or withdraw its declaration with effect from such date as it may specify in such notice.

(b) Upon the occurrence or existence of any Event of Default referred to at Section 8.1(g), (h) or (i) immediately and without notice, all outstanding Obligations payable by Borrower hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Loan Documents to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, Administrative Agent may exercise any other right, power or remedy available to it under any of the Loan Documents or otherwise by law, either by suit in equity or by action at law, or both.

8.3 Remedies Cumulative and Waivers

It is expressly understood and agreed that the rights and remedies of the Administrative Agent, the Servicing Agent and the Lenders hereunder or under any other instrument executed pursuant to this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law or by equity; and any single or partial exercise by the Administrative Agent, the Servicing Agent or any Lender of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Administrative Agent, the Servicing Agent or any Lender may be lawfully entitled for such default or breach. Any waiver by the Administrative Agent, the Servicing Agent and the Lenders of the strict observance, performance or compliance with any term, covenant, condition or other matter contained herein and any indulgence granted, either expressly or by course of conduct, by the Administrative Agent, the Servicing Agent and the Lenders shall be effective only in the specific instance and for the purpose for which it was given and shall be deemed not to be a waiver of any rights and remedies of the Administrative Agent, the Servicing Agent or any Lender under this Agreement as a result of any other default or breach hereunder or thereunder.

8.4 Suspension of Lenders' Obligations

Without prejudice to the rights which arise out of this Agreement or by law, the occurrence of a Default or Event of Default shall, while such Default or Event of Default shall be continuing, relieve the Lenders and the Servicing Agent of all obligations to accept or comply with any Interest Determination Notice and all Interest Periods expiring during such period shall be deemed to be reset at one month.

8.5 Application of Payments After an Event of Default

If any Event of Default shall occur and be continuing, all payments made by the Borrower hereunder shall be applied in the following order:

- (a) to amounts due hereunder as costs and expenses of the Lenders and the Agents;
- (b) to amounts due hereunder as fees to the Agents or the Lenders;
- (c) to any premium and other amounts (other than amounts in respect of interest or principal) due hereunder;
- (d) to amounts due hereunder as interest;
- (e) rateably to amounts due hereunder as principal; and
- (f) any balance to the Borrower or as a court of competent jurisdiction shall determine.

ARTICLE 9
SUCCESSOR COMPANIES

9.1 Certain Requirements in Respect of Merger, Etc.

The Borrower and any Guarantor shall not, and shall not permit any of their Subsidiaries to, enter into any transaction (whether by way of reconstruction, reorganization, consolidation, amalgamation, merger, plan of arrangement, transfer, sale or otherwise), whereby all or substantially all of its undertaking, property and assets would become the property of any other Person or, in the case of any such amalgamation, of the continuing company (collectively, a "Reorganization") resulting therefrom, or whereby the obligation of the Borrower or a Guarantor to pay amounts under this Agreement would become subject to novation or assumed or undertaken by any other such Person or continuing company, provided that (i) this Section 9.1 is not applicable to a Reorganization involving the Borrower or a Guarantor and one or more wholly-owned Subsidiaries of the Borrower; provided, however, in the event of such a Reorganization of the Borrower or a Guarantor and one or more wholly-owned Subsidiaries of the Borrower, the Successor Corporation shall be required to execute and deliver the supplemental agreement and opinion referred to in Section 9.1(a) and take such other actions and deliver such other documents and agreements as may be reasonably necessary to ensure that the perfection and priority of the Security is not impaired; and (ii) it may do so and such Person or continuing company (the "Successor Corporation") shall become a party to this Agreement if:

- (a) the Successor Corporation shall execute and/or deliver to the Administrative Agent and the Servicing Agent an agreement supplemental hereto in form reasonably satisfactory to the Administrative Agent and the Servicing Agent and the Lenders and execute and/or deliver such other instruments, if any, which to the reasonable satisfaction of the Lenders and in the opinion of Counsel to the Borrower addressed to the Agents and the Lenders, are necessary to evidence the agreement of the Successor Corporation to observe and perform all the covenants and obligations of the Borrower under this Agreement and any other Loan Document and to be bound by all the terms of this Agreement and any other Loan Document so far as they relate to the Borrower, which instruments, if any, shall be in form reasonably satisfactory to the Agents and the Lenders;
- (b) such transaction shall, to the reasonable satisfaction of the Administrative Agent, the Servicing Agent and the Lenders, be upon such terms as to preserve and not to impair any of the rights and powers of the Administrative Agent, the Servicing Agent and the Lenders and will not result in a Material Adverse Effect;
- (c) the perfection and priority of the Security shall not be impaired;
- (d) all Other Taxes payable as a result of such transaction have been paid by such Successor Corporation;
- (e) such transaction will not result in any Tax being levied on or payable by the Administrative Agent, the Servicing Agent or any Lender (except for Taxes on

the overall net income of the Administrative Agent or any Lender provided there is no increase in such Taxes as a result of such transaction);

- (f) such transaction will not cause, or have the result of the Administrative Agent, the Servicing Agent or any Lender being in default under, non-compliance with, or violation of, any Applicable Law;
- (g) an opinion of counsel to the Successor Corporation substantially in the form and as to matters addressed in the opinion of Counsel to the Borrower delivered pursuant to Section 4.1 shall have been delivered to the Administrative Agent and the Lenders;
- (h) the creditworthiness of the Successor Corporation (as determined by the Administrative Agent, the Servicing Agent and each Lender in its sole discretion) shall not be less than the creditworthiness of the Borrower or the relevant Guarantor immediately prior to giving effect to such transaction; and
- (i) no Default or Event of Default shall have occurred and be continuing or will occur as a result of such transaction.

9.2 Vesting of Powers in Successor

Except in the case of an amalgamation or other transaction pursuant to which the Successor Corporation is liable for all of the obligations of the Borrower by operation of law, whenever the conditions of Section 9.1 above have been duly observed and performed, the Administrative Agent and the Servicing Agent and each Lender shall execute and deliver the supplemental agreement provided for in Section 9.1(a) and thereupon:

- (a) the Successor Corporation shall possess and from time to time may exercise each and every right and power of the Borrower under this Agreement in its own name or in the name of the Borrower or otherwise and any act or proceeding by any provision of this Agreement or the Security Documents required to be done and performed with like force and effect by the like directors or officers of the Successor Corporation; and
- (b) at the request of the Borrower, the Borrower shall be released from its liability and obligations under this Agreement and the Lenders, at the request and at the expense of the Borrower, shall execute and deliver to the Borrower such instruments as shall reasonably be requisite to evidence such release.

ARTICLE 10
COSTS, EXPENSES AND INDEMNIFICATION

10.1 Costs and Expenses

The Borrower shall pay promptly, upon request by the Administrative Agent, the Servicing Agent or a Lender, all reasonable costs and expenses in connection with its due diligence relating to the Facility and the Collateral, including, without limitation, the reasonable

fees and out-of-pocket expenses of the counsel to the Administrative Agent, the Servicing Agent or a Lender and the reasonable fees and out-of-pocket expenses of each Agent with respect thereto. The Borrower further agrees to pay all reasonable costs and expenses (including reasonable fees and expenses of counsel, accountants and other experts) in connection with the preparation, negotiation, interpretation, administration, preservation or enforcement of rights of the Administrative Agent, the Servicing Agent and each Lender under this Agreement and the other Loan Documents and all amendments, modifications, waivers of, or consents with respect to, any of the Loan Documents, including, without limitation, all costs and expenses sustained by them as a result of any failure by the Borrower or any Guarantor to perform or observe their obligations contained in this Agreement and all costs incurred in connection with obtaining any required consents, approvals or authorizations required in connection herewith and otherwise in enforcing and realizing upon the Security.

10.2 Indemnification by the Borrower

In addition to any liability of the Borrower to the Administrative Agent, the Servicing Agent and each Lender under any other provision hereof, the Borrower shall indemnify the Administrative Agent, the Servicing Agent and each Lender and hold the Administrative Agent, the Servicing Agent and each Lender harmless against any reasonable costs or expenses incurred by the Administrative Agent, the Servicing Agent or any Lender as a result (i) of any failure by the Borrower or any Guarantor to fulfil any of its obligations hereunder in the manner provided herein including, without limitation, any cost or expense incurred by reason of the liquidation or re-employment in whole or in part of deposits or other funds required by the Administrative Agent, the Servicing Agent or any Lender to fund or maintain the Advance as a result of the failure of the Borrower to complete the Drawdown or to make any repayment or other payment on the date required hereunder or specified by it in any notice given hereunder (but excluding costs arising solely out of loss of anticipated profits); or (ii) of the failure of the Borrower to pay any other amount including, without limitation, any interest or fee due hereunder on its due date; or (iii) of the prepayment or repayment by the Borrower of any Advance prior to its date of maturity or the last day of the then current Interest Period for such Advance, including, without limiting the generality of the foregoing, any repayment or prepayment resulting from the circumstances referred to in Section 2.10(e).

10.3 Funds

Each amount advanced, made available, disbursed or paid hereunder shall be advanced, made available, disbursed or paid, as the case may be, in immediately available funds or, after notice from the Administrative Agent or the Servicing Agent, in such other form of funds as may from time to time be customarily used in Toronto, Ontario in the settlement of banking transactions similar to the banking transactions required to give effect to the provisions of this Agreement on the day such advance, disbursement or payment is to be made.

10.4 General Indemnity

(a) **Indemnity.** Subject to paragraph (b) below, the Borrower and each of any Guarantor jointly and severally agree to indemnify and save harmless the Administrative Agent and the Servicing Agent and each Lender and each of their respective officers, directors,

employees, agents, advisors, representatives and affiliates (collectively, the "Indemnitees" and individually, an "Indemnitee") from and against any and all liabilities, costs, claims, damages, penalties, losses and expenses (including reasonable legal fees and disbursements of counsel) (collectively, the "Losses") as a result of any claims, actions or proceedings ("Claims") asserted against an Indemnitee in connection with the agreement of the Administrative Agent, the Servicing Agent and each Lender to provide the Facility, the commitment of the Lenders to establish the Facility and the Advances made by the Lenders including, without limitation: (i) the costs of defending and/or counterclaiming or claiming over against any Person in respect of any Claim; and (ii) any Losses arising out of a settlement of any Claim made by the Indemnitees.

(b) **Limitations to Indemnity.** The foregoing obligations of indemnification shall not apply to any Losses suffered by an Indemnitee or to any Claim asserted against an Indemnitee or any of them to the extent such Loss or Claim is determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) The obligations of the Borrower and any Guarantors under this Section 10.4 shall survive the repayment of all outstanding Advances hereunder and the termination of the Facility.

10.5 Environmental Claims

(a) **Indemnity.** Subject to paragraph (b) below, the Borrower and any Guarantor jointly and severally agrees to indemnify and save harmless each of the Indemnitees from and against any and all Losses as a result of any Claims asserted against an Indemnitee with respect to any presence or the Release of any Hazardous Material on, into, onto, under or from any property which at any time was owned, leased, used, occupied, operated or under the control of any of the Borrower, any Guarantor or any of the Subsidiaries of any of the foregoing or which arises out of or in connection with any action of, or failure to act by, the Borrower, a Guarantor or any other Subsidiary of the Borrower or any predecessor or successor thereof in contravention of any Environmental Laws including, without limitation: (i) the costs of defending and/or counterclaiming or claiming over against third parties in respect of any Claim; and (ii) any Losses arising out of a settlement of any Claim made by the Indemnitees.

(b) **Limitations to Indemnity.** The foregoing obligations of indemnification shall not apply to any Losses suffered by an Indemnitee or to any Claim asserted against an Indemnitee or any of them to the extent such Loss or Claim is determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) The obligations of the Borrower and any Guarantors under this Section 10.5 shall survive the repayment of all outstanding Advances hereunder and the termination of the Facility.

ARTICLE 11
THE AGENTS

11.1 The Agents

(a) **The Administrative Agent.** Each Lender hereby irrevocably appoints the Administrative Agent to act as its Administrative Agent in connection with this Agreement, the Loan Documents, and any matter contemplated hereunder, and authorizes irrevocably the Administrative Agent to exercise such rights, powers and discretions as are delegated to the Administrative Agent pursuant to this Agreement, the Loan Documents, and any matter contemplated thereunder, together with all such rights, powers and discretions as are incidental hereto or thereto. The Borrower may in all respects assume that the Administrative Agent has obtained all necessary authorities from the Lenders and is acting in full conformity with this Article 11 at all times. The Administrative Agent shall have only those duties and responsibilities which are expressly specified in this Agreement, and it may perform such duties by or through its agents or employees. This Agreement shall not place the Administrative Agent under any fiduciary duties in respect of any Lender, Borrower, Guarantor, the Servicing Agent or any other Person.

(b) **The Servicing Agent.** Each Lender and the Administrative Agent hereby irrevocably appoints the Servicing Agent to act as its Servicing Agent in connection with this Agreement, the Loan Documents, and any matter contemplated hereunder, and authorizes irrevocably the Servicing Agent to exercise such rights, powers and discretions as are delegated to the Servicing Agent pursuant to this Agreement, the Loan Documents, and any matter contemplated thereunder, together with all such rights, powers and discretions as are incidental hereto or thereto. The Borrower may in all respects assume that the Servicing Agent has obtained all necessary authorities from the Lenders and is acting in full conformity with this Article 11 at all times. The Servicing Agent shall have only those duties and responsibilities which are expressly specified in this Agreement, and it may perform such duties by or through its agents or employees. This Agreement shall not place the Servicing Agent under any fiduciary duties in respect of the Administrative Agent, any Lender, Borrower, any Guarantor or any other Person.

11.2 The Agents' Responsibilities

Each Agent may:

- (a) assume that:
 - (i) any representation made by the Borrower in or in connection with any of this Agreement or an Interest Determination Notice is true;
 - (ii) no Event of Default has occurred; and
 - (iii) the Borrower is not in breach of or in default under its obligations under any of this Agreement;

and each Agent may also:

- (b) unless it has actual knowledge or actual notice to the contrary, assume that each Lender's address is that identified with its signature below until it has received from such Lender a notice designating some other office of such Lender as its address and act upon any such notice until the same is superseded by a further such notice;
- (c) engage and pay for the advice or services of any lawyers, accountants or other experts whose advice or services may to it seem necessary, expedient or desirable and rely upon any advice so obtained;
- (d) unless it has actual knowledge or actual notice to the contrary, rely as to matters of fact which might reasonably be expected to be within the knowledge of the Borrower upon a statement signed by or on behalf of the Borrower;
- (e) unless it has actual knowledge or actual notice to the contrary, rely upon any communication or document believed by it to be genuine;
- (f) refrain from exercising right, power or discretion vested in it under this Agreement unless and until instructed by the Required Lenders as to whether or not such right, power or discretion is to be exercised and, if it is to be exercised, as to the manner in which it should be exercised;
- (g) refrain from exercising any right, power or discretion vested in it which would or might in its opinion be contrary to any law of any jurisdiction or any directive or otherwise render it liable to any Person, and may do anything which is in its opinion necessary to comply with any such law or directive;
- (h) retain for its own benefit, and without liability to account for, any fee or other sum receivable by it for its own account;
- (i) accept deposits from, lend money to, provide any advisory or other services to or engage in any kind of banking or other business with any party (including any Affiliate thereof) to this Agreement; and
- (j) refrain from acting in accordance with any instructions of the Required Lenders to begin any legal action or proceeding arising out of or in connection with any of this Agreement until it shall have received such security as it may require (whether by way of payment in advance or otherwise) against all costs, claims, expenses (including legal fees) and liabilities which it will or may expend or incur in complying with such instruction.

11.3

Agents' Duties

- (a) The Administrative Agent shall:
 - (i) promptly upon receipt of any notice, document, request or other information received by it in its capacity as Administrative Agent hereunder from the Borrower, as applicable, provide such notice,

document, request or other information received to the Servicing Agent in order for the Servicing Agent to timely carry out its duties and obligations pursuant to this Agreement;

- (ii) promptly notify each Lender and the Servicing Agent of the occurrence of any Event of Default or any default by the Borrower in the due performance of its obligations under this Agreement or any document incidental thereto to which it is expressed to be a party and of which the Administrative Agent has actual knowledge or actual notice;
 - (iii) subject to the foregoing provisions of Section 11.2 and this Section 11.3, act in accordance with any instructions given to it by the Required Lenders; and
 - (iv) each time the Borrower requests the prior written consent of the Required Lenders, promptly inform the Servicing Agent of such request and of the Administrative Agent's instruction and/or drafts, as applicable, with respect thereto in order for the Servicing Agent to carry out its duties and obligations pursuant to Section 11.3(b)(iv) in a reasonable and timely manner having due regard to the nature and circumstances of the request;
 - (v) if so instructed by the Required Lenders, refrain from exercising any right, power or discretion vested in it under this Agreement or any document incidental thereto.
- (b) The Servicing Agent shall:
- (i) promptly upon receipt thereof, provide each Lender and the Administrative Agent with a copy of, or inform each Lender and the Administrative Agent of the contents of, any notice, document, request or other information received by it in its capacity as Servicing Agent hereunder from the Borrower or the Administrative Agent;
 - (ii) promptly notify each Lender and the Administrative Agent of the occurrence of any Event of Default or any default by the Borrower in the due performance of its obligations under this Agreement or any document incidental thereto to which it is expressed to be a party and of which the Servicing Agent has actual knowledge or actual notice;
 - (iii) subject to the foregoing provisions of Section 11.2 and this Section 11.3, act in accordance with any instructions given to it by the Required Lenders or the Administrative Agent;
 - (iv) each time the Borrower requests the prior written consent of the Required Lenders, use its best efforts to act in accordance with the Administrative Agent's instruction and/or drafts, as applicable, with respect thereto and obtain and communicate to the Borrower the response of the Required

Lenders in a reasonable and timely manner having due regard to the nature and circumstances of the request;

- (v) subject to the foregoing provisions of Section 11.2 and this Section 11.3, if so instructed by the Required Lenders or the Administrative Agent, refrain from exercising any right, power or discretion vested in it under this Agreement or any document incidental thereto; and
- (vi) in the event that the Servicing Agent is at any time given instructions by both the Administrative Agent and the Required Lenders which it reasonably deems to be in conflict, follow the instructions given to it by the Required Lenders.

11.4 Protection of Agents

Notwithstanding anything to the contrary expressed or implied herein, the Agents shall not:

- (a) be bound to enquire as to:
 - (i) whether any representation made by the Borrower in or in connection with this Agreement or any document incidental thereto is true;
 - (ii) the occurrence of any Event of Default;
 - (iii) the performance by the Borrower of its obligations under any of this Agreement or any document incidental thereto;
 - (iv) any breach of or default by the Borrower of or under its obligations under this Agreement or any document incidental thereto; or
 - (v) the use or application by the Borrower of any of the proceeds of the Facility;
- (b) be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account;
- (c) be bound to disclose to any Person any information relating to the Borrower if such disclosure would or might in its opinion constitute a breach of any law or regulation or be otherwise actionable at the suit of any Person; or
- (d) accept any responsibility for the accuracy and/or completeness of any information supplied in connection herewith or for the legality, validity, effectiveness, adequacy or enforceability of this Agreement or any document incidental hereto or thereto and the Administrative Agent and the Servicing Agent shall not be under any liability to any Lender as a result of taking or omitting to take any action in relation to the Agreement or any document incidental hereto or thereto save in the case of gross negligence or wilful misconduct, and each of the Lenders

agrees that it will not assert or seek to assert against any director, officer, employee or agent of the Administrative Agent or the Servicing Agent any claim it might have against any of them in respect of the matters referred to in this Section 11.4.

11.5 Indemnification of Agents

Each Lender agrees to indemnify, on demand by the Administrative Agent or the Servicing Agent, rateably (according to the amount of each such Lender's Participation as of the date of such demand in proportion to the aggregate outstanding Advance) from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent or the Servicing Agent in any way relating to or arising out of any of the Loan Documents or any other document contemplated thereby or any action taken or omitted by the Administrative Agent or the Servicing Agent under any of the Loan Documents or any document contemplated thereby, regardless of whether the same would or should have entitled such indemnitee to indemnification from the Borrower, any Guarantor or any other Person, except that no Lender shall be liable to the Administrative Agent or the Servicing Agent, as applicable, for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the gross negligence or wilful misconduct of the Administrative Agent or the Servicing Agent, as applicable. Without limiting the generality of the foregoing, each Lender agrees to reimburse each of the Administrative Agent and the Servicing Agent promptly upon demand for its rateable share as above described of out-of-pocket expenses (including legal fees and disbursements on a full indemnity basis) incurred by the Administrative Agent or the Servicing Agent, as applicable, in connection with the determination or preservation of any rights of the Administrative Agent, the Servicing Agent or the Lenders under, or the enforcement of, or legal advice in respect of rights or responsibilities under, the Loan Documents or any other instruments and agreements referred to in them, to the extent that the Administrative Agent or the Servicing Agent may refrain from exercising any right, power or discretion or taking any action to protect or enforce the rights of the Administrative Agent, the Servicing Agent or any Lender under the Loan Documents or any other instruments and agreements referred to in them until it has been indemnified or secured to its satisfaction against any and all costs, losses, expenses or liabilities (including legal fees and disbursements) which it would or might sustain or incur as a result of such exercise or action. The obligations of the Lenders under this Section 11.5 shall survive the repayment of all outstanding Advances hereunder and the termination of the Facility.

11.6 Termination or Resignation of an Agent

(a) Notwithstanding the irrevocable appointment of the Administrative Agent and the Servicing Agent, the Required Lenders may (with the consent of the Borrower not to be unreasonably withheld), upon giving the applicable Agent 90 days' prior written notice to such effect, terminate such Agent's appointment hereunder provided that a successor Administrative Agent or Servicing Agent as applicable has been appointed at or prior to expiry of such notice.

(b) Either Agent may resign its appointment hereunder at any time without assigning any reason therefor by giving written notice to such effect to each of the other parties hereto.

The resignation of the Administrative Agent shall not be effective until a successor Administrative Agent has been appointed. With respect to the Servicing Agent, if no such successor shall have been appointed by the Required Lenders and shall have accepted such appointment within 60 days after the Servicing Agent gives notice of its resignation, then such resignation shall nonetheless become effective in accordance with such notice and (i) the retiring Servicing Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents, as applicable and (ii) all payments, communications and determinations provided to be made by, to or through such Servicing Agent shall instead be made by, to or through Administrative Agent until such time as the Required Lenders appoint a successor Servicing Agent.

(c) In the event of any such termination or resignation, the Required Lenders shall appoint a successor Administrative Agent or Servicing Agent, as applicable, acceptable to the Borrower, deliver copies of the Accounts to such successor and the retiring Agent shall be discharged from any further obligation hereunder but shall remain entitled to the benefit of the provisions of Sections 10.2, 10.4, 10.5 and this Article 11 and the Agent's successor and each of the other parties hereto shall have the same rights and obligations among themselves as they would have had if such successor originally had been a party hereto as Administrative Agent or Servicing Agent, as applicable.

11.7 Rights of Administrative Agent as Lender

With respect to its portion of the Advance and its Participation, the Administrative Agent shall have the same rights and powers under this Agreement as any other Lender, and it may exercise such rights and powers as though it were not performing the duties and functions delegated to it as Administrative Agent hereunder, and the term "Lender" or any other similar term shall, unless the context otherwise requires, include the Administrative Agent in its capacity as a Lender.

11.8 Authorized Waivers, Variations and Omissions

If so authorized in writing by the Required Lenders, the Administrative Agent may grant waivers, consents, vary the terms of this Agreement and do or omit to do all such acts and things in connection herewith or therewith. Except with the prior written agreement of all the Lenders, nothing in this Section 11.8 shall authorize (i) any decrease in the Interest Rate, (ii) any extension of the date for, or alteration in the amount, currency or mode of calculation or computation of any payment of principal or interest or other amount, (iii) any increase in the Advance of a Lender, (iv) any extension of the Maturity Date, (v) any change in the terms of Article 7, Article 10 or Article 11, (vi) any change in the definition of Required Lenders (vii) the release of the Borrower or any Guarantor from its obligations under any Loan Document except as otherwise expressly permitted under the Loan Documents or (viii) any amendments to this Section 11.8.

11.9 Financial Information Concerning Borrower

Subject to Section 11.3(a)(i), neither Agent shall have any duty or responsibility either initially or on a continuing basis to provide any Lender with any credit or other information with respect to the financial condition and affairs of the Borrower.

11.10 Knowledge of Financial Situation of Borrower

Each of the Lenders represents and warrants to the Agents that it has made its own independent investigation of the financial condition and affairs of the Borrower in connection with the making and continuation of its Participation in this Agreement and that it has not relied on any information provided to it by the Agents in connection herewith or therewith, and each Lender represents and warrants to the Agents that it shall continue to make its own appraisal of the creditworthiness of the Borrower from time to time.

11.11 Legal Proceedings

The Agents shall not be obligated to take any legal proceedings against the Borrower or any other Person for the recovery of any amount due under this Agreement. No Lender shall bring legal proceedings against the Borrower or any other Person hereunder or in connection herewith, or exercise any right arising hereunder or in connection herewith over the property and assets of the Borrower or any other Person without the prior written consent of the Required Lenders.

11.12 Capacity as Agent

In performing its functions and duties under this Agreement, each Agent shall act solely as the Administrative Agent or Servicing Agent, as applicable, of the Lenders and shall not assume, and shall not be deemed to have assumed, any obligation as agent or trustee for the Borrower or any other Person. Neither Agent shall be under any liability or responsibility of any kind to the Borrower, the Lenders, or to any other Person arising out of or in relation to any failure or delay in performance or breach by any Lender or Lenders or, as the case may be, by the Borrower or any other Person pursuant to or in any way in connection with this Agreement.

11.13 Capacity as Lead Arranger

The Borrower and the Lenders hereby agree and confirm that the Administrative Agent has performed its functions and duties in connection with the arrangement of the Facility and shall not be under any liability or responsibility of any kind to the Borrower, the Lenders, the Administrative Agent or any of them arising out of or in relation to the arrangement of the Facility or this Agreement.

11.14 Deposits or Loans Respecting the Borrower

Each Agent and each of the Lenders may accept deposits from, lend money to and generally engage in any kind of banking or other business with the Borrower without liability to account to either Agent or any Lender.

ARTICLE 12
GENERAL

12.1 **Term**

The Facility shall expire on the Maturity Date.

12.2 **Acknowledgment and Waiver of Events of Default**

The Borrower acknowledges and agrees that (a) as of the Effective Date: (i) the Borrower's LTM EBITDA is less than \$11,500,000, in violation of Section 6.3(a) of the Existing Credit Agreement; (ii) the Consolidated Leverage Ratio exceeds 4.60:1.0, in violation of Section 6.3(b) of the Existing Credit Agreement; (iii) the Borrower is in default of certain of its covenants under the Revolving Credit Facility and an event of default thereunder has occurred, in violation of Section 6.1(m) of the Existing Credit Agreement; and (iv) the Borrower has not delivered to the Administrative Agent the audited Financial Statements and other deliverables required pursuant to Section 6.1(b)(iii) of the Existing Credit Agreement in respect of the fiscal years ended January 26, 2008 and January 31, 2009; and (b) as a result of the circumstances referred to at (i) through (iv) above (collectively, the "Existing Defaults"), an Event of Default under Section 8.1(c) and Section 8.1(e) of the Existing Credit Agreement has occurred and is continuing. The Administrative Agent and the Lenders hereby waive the Existing Defaults, and the Borrower acknowledges such waiver. The waiver given by the Lenders under this Section 12.2 is given pursuant to the provisions of Section 12.5 of the Existing Credit Agreement, is solely with respect to the Existing Defaults and shall not be construed as having created a custom in any way or manner or to have modified or waived any other obligation of the Borrower hereunder, including any obligation of the Borrower to pay interest or to repay the principal amount of the Facility strictly in accordance with the provisions of Article 2.

12.3 **Survival**

All covenants, agreements, representations and warranties made herein or in certificates delivered in connection herewith by or on behalf of the Borrower, any Guarantor or any other Subsidiary of the Borrower shall survive the execution and delivery of this Agreement and the making of the Drawdown hereunder and shall continue in full force and effect so long as there is any obligation of the Borrower to any Lender hereunder, the Administrative Agent or the Servicing Agent.

12.4 **Benefit of the Agreement**

This Agreement shall enure to the benefit of and be binding upon the successors and permitted assigns of the Borrower and the successors and permitted assigns of the Lenders and the Agents.

12.5 **Notices**

All notices, requests, demands or other communications to or from the parties hereto shall be in writing and shall be given by overnight delivery service, by hand delivery or by telecopy to the addressee as follows:

(i) If to the Borrower or any Guarantor:

Grafton-Fraser Inc.
44 Apex Road
Toronto, Ontario
M6A 2V2

Attention: Treasurer
Facsimile: (416) 780-2159

with a copy to:

Osler Hoskin & Harcourt LLP
Suite 6100, P.O. Box 50
1 First Canadian Place
Toronto, ON M5X 1B8

Attention: Dale Seymour
Facsimile: (416) 862-6666

(ii) If to the Administrative Agent:

BTD CP Holdings LP
280 Park Avenue
11th Floor, Building East
New York, New York, 10017

Attention: David Clayton and Louis Salvatore
Facsimile: (212) 503-6921

with a copy to:

Davies Ward Phillips & Vineberg LLP
1 First Canadian Place
44th Floor
Toronto, Ontario
M5X 1B1

Attention: Scott R. Hyman
Facsimile: (416) 863-0871

(iii) If to a Lender:

To the address set forth next to its signature on the signature page of this Agreement

(iv) If to the Servicing Agent:

OFS AGENCY SERVICES, LLC
2850 West Golf Road, Suite 520
Rolling Meadows, IL 60008

Attention: Sean Kelley/Alisa Filstead
Telecopier: (847) 731-7911

With a copy to:

Goldberg Kohn
55 East Monroe, Suite 3300
Chicago, Illinois 60603

Attention: Keith G. Radner
Telecopier: (312) 863-7445

or at such other address or to such other individual as the Borrower may designate by notice to the Servicing Agent, or the Administrative Agent or the Servicing Agent may designate by notice to the Borrower. If any notice, request, demand or other communication is delivered or transmitted on a day other than a Banking Day or after 3:00 p.m. on any Banking Day, the same shall be deemed to have been effectively given and received on the next following Banking Day.

12.6 Amendment and Waiver

This Agreement and documents collateral hereto may be modified or amended and a waiver of any breach of any term or provision of this Agreement shall be effective only if the Borrower and the Administrative Agent and the Required Lenders or each Lender, as the case may be, so agree in writing; provided that no modification, amendment or waiver shall, unless in writing and signed by the Servicing Agent in addition to the parties required above, affect the rights or duties of the Servicing Agent under this Agreement or any other document. A waiver of any breach of any term or provision of this Agreement shall be limited to the specific breach waived.

12.7 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each of the Administrative Agent, the Servicing Agent, the Lenders and the Borrower agree that any legal suit, action or proceeding arising out of this Agreement may be instituted in the courts of Ontario, and each of the Administrative Agent, the Servicing Agent, the Lenders and the Borrower hereby accepts and irrevocably submits to the non-exclusive jurisdiction of said courts and acknowledges their competence and agrees to be bound by any judgment thereof.

12.8 Further Assurances

The Borrower, at its expense, will promptly execute and deliver, or cause to be executed and delivered, to the Agents and the Lenders, upon request, all such other and further

documents, agreements, certificates and instruments in compliance with, or accomplishment of the covenants and agreements of the Borrower and any Guarantor hereunder or under the Loan Documents or more fully to state the obligations of the Borrower and any Guarantor as set out herein or therein or to make any recording, file any notice or obtain any consents, all as may be necessary or appropriate in connection therewith.

12.9 Enforcement and Waiver by the Lenders

The Agents and the Lenders shall have the right at all times to enforce the provisions of this Agreement and agreements to be delivered pursuant hereto in strict accordance with the terms hereof and thereof, notwithstanding any conduct or custom on the part of the Agents and Lenders in refraining from so doing at any time or times. The failure of the Agents and the Lenders at any time or times to enforce its rights under such provisions, strictly in accordance with the same, shall not be construed as having created a custom or in any way or manner modified or waived the same. All rights and remedies of the Agents and the Lenders are cumulative and concurrent and the exercise of one right or remedy shall not be deemed a waiver or release of any other right or remedy.

12.10 Counterparts and Facsimile Signature

This Agreement may be executed by the parties in separate counterparts (by original or facsimile signature) each of which when so executed and delivered shall be an original, but all of which, when taken together, shall together constitute one and the same instrument.

12.11 Assignment by the Borrower

The rights and obligations of the Borrower under this Agreement are not assignable to any other Person, except in accordance with Article 9, without the prior written consent of the Administrative Agent, the Lenders and the Servicing Agent in their sole discretion.

12.12 Assignments and Transfers by the Lenders

(a) Any Lender may, at any time, assign all or any of its rights and benefits hereunder or transfer in accordance with Section 12.12(b) all or any of its rights, benefits and obligations hereunder to one or more financial institutions or other Persons (the "Transferee"); provided that: (i) unless a Default or an Event of Default has occurred and is continuing, each such financial institution or other Person shall be acceptable to the Borrower, acting reasonably; and (ii) unless a Default or an Event of Default has occurred and is continuing, in no event shall any such assignment or participation be made to any financial institution or other Person that is designated in Schedule 12.12 as a "disqualified lender". Notwithstanding the foregoing, the acceptance of the Borrower is not required in connection with the assignment or transfer of all or any of the rights, benefits and obligations hereunder to (i) any Subsidiary or Affiliate of a Lender, provided that, in either case, any such assignment or transfer does not give rise to a claim for increased costs pursuant to Article 3.

(b) If a Lender (for the purposes of this Section 12.12(b), a "Transferor") assigns all or any of its rights and benefits hereunder in accordance with Section 12.12(a), then, unless and until the Transferee has executed a Transfer Agreement substantially in the form of Exhibit C hereto (or such other form as may be agreed to by the Lenders and the Borrower) that the Transferee shall be bound by the same obligations of the Transferor as the Transferee would have been under if the Transferee had been an original party hereto, the Borrower shall not be obliged to recognize such Transferee as having the rights against the Borrower which the Transferee would have had if the Transferee had been such a party hereto, provided that upon delivery by the Transferee to the Borrower and the Lenders of a transfer agreement substantially in the form of Exhibit C hereto, the Transferor shall be released from its obligations hereunder that have been assumed by the Transferee.

(c) A Lender may participate all or any part of its interest hereunder, provided that any such participation does not give rise to a claim for increased costs pursuant to Article 3. Any payment to a participant by a Lender in connection with the sale of a participation shall not be or be deemed to be a repayment by Borrower or a new Advance. The Borrower shall not be obligated to deal with any participant and shall be entitled to deal solely with the Lender and the Lender shall not be released from any of its obligations to the Borrower or any Guarantor as a result of such participation except to the extent that the participant has fulfilled such obligations. Such participants shall be bound to the same confidentiality provisions with respect to the Facility and the Borrower and any Guarantor as are applicable to the Lender.

(d) Any such assignment, transfer or participation shall only be effective upon delivery by the applicable Lender(s) to the Administrative Agent and the Servicing Agent of written notice of such assignment, transfer or participation, and in connection therewith the applicable Lender(s) shall provide the Agents with such administrative details and other information and documentation (including without limitation tax related information and documentation) as either Agent may reasonably require.

12.13 Set-Off

If an Event of Default has occurred and is continuing, each Lender and each of its Affiliates shall have the right to set off against any accounts, credits or balances maintained by the Borrower or any Guarantor with the Lender or any such Affiliate any amount due hereunder. Except for payments to a Lender from the Administrative Agent or the Servicing Agent which were received by the Administrative Agent or the Servicing Agent for the account of such Lender in accordance with the provisions of this Agreement, if any Lender shall at any time receive payment or satisfaction of all or a part of any amounts payable hereunder, whether by set-off or otherwise, in a proportion which, in relation to any amounts received by any other Lender or Lenders at the same time, represents more than its *pro rata* Participation, then such Lender shall notify the Administrative Agent and the Servicing Agent thereof and pay to the Servicing Agent for the account of the other Lenders such amount as will ensure that each Lender will receive a proportion of such payment equal to such Lender's *pro rata* Participation. In the event that at any time any Lender shall be required to refund any amount which has been paid to or received by it by set-off or otherwise on account of any part of the Advance, interest thereon or any other amount payable hereunder and which has been paid to any other Lender pursuant to this Section 12.13, such other Lender shall repay a proportionate amount of the

amounts so refunded without interest. If a Lender is required to make any payment to any other Lender pursuant to this Section 12.13, then, subject to the foregoing sentence, the liability of the Borrower to the Lender making such payment under this Agreement shall be treated as not having been reduced by the amount of such payment and the liability of the Borrower to any Lender receiving such payment shall be treated as having been reduced by the amount of the payment received by such Lender.

12.14 Time of the Essence

Time shall be of the essence in this Agreement.

12.15 Equal Ranking of Lenders

The Lenders, and to the extent necessary, the Borrower, agree as between themselves that any indebtedness of the Borrower towards any Lender hereunder, in respect of any Advance, or otherwise hereunder shall at all times rank equally and without preference or distinction with the indebtedness of the Borrower towards any other Lender hereunder.

12.16 Sharing of Information

The Borrower hereby agrees that the Agents and the Lenders may share amongst themselves any information which any of them may possess concerning the Borrower in respect of the Borrower's undertakings, obligations or indebtedness towards any Lender pursuant to this Agreement and any Advance, as well as any payment received from the Borrower by any Lender.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

GRAFTON-FRASER INC., as Borrower

by _____

Name:

Title:

**BTD CP HOLDINGS LP (F/K/A GSO
CP HOLDINGS LP), as Administrative
Agent and Lead Arranger**

By: BTD LLC, its General Partner

by _____

Name: George Fan

Title: Authorized Signatory

Address:

280 Park Avenue
11th Floor, Building East
New York, New York, 10017

**GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., as Lender**

**By: GSO Capital Partners LP, its
collateral manager**

by _____

Name:

Title:

Address:

280 Park Avenue
11th Floor, Building East
New York, New York, 10017

**GSO OFFSHORE
MULTICURRENCY FACILITY
(LUXEMBOURG) S.A.R.L., as Lender**

**By: GSO Capital Partners LP, its
portfolio manager**

by _____
Name:
Title:

**OFS AGENCY SERVICES, LLC, as
Servicing Agent**

**By: Orchard First Source Capital, Inc.,
its attorney in fact**

by _____
Name:
Title:

EXHIBIT A

FORM OF DRAWDOWN NOTICE

To: GSO Special Situations Fund LP, as Administrative Agent
And To: The Lenders party to the Credit Agreement referred to below
Attention: Louis Salvatore and Matthew Bass

This Drawdown Notice is being delivered pursuant to the credit agreement made as of May 24, 2007 (the "Credit Agreement") made between the Borrower, the Guarantors that may become parties thereto from time to time, the Administrative Agent and the Lenders parties thereto from time to time. Capitalized terms used herein but not defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

We hereby request an Advance in the amount of \$ _____ and having an Interest Period of _____ months.

Payment instructions: _____

The representations and warranties set forth in Section 5.1 of the Credit Agreement are, *mutatis mutandis*, true and correct on and as of the date hereof, both before and after giving effect to the Drawdown of the requested Advance and to the application of proceeds therefrom.

No Default or Event of Default has occurred and is continuing, nor shall any such event occur as a result of making the requested Advance or the application of proceeds therefrom.

DATED this _____ day of _____, _____.

GF ACQUISITION CORP.

by _____
Name:
Title:

by _____
Name:
Title:

EXHIBIT B

FORM OF INTEREST DETERMINATION NOTICE

TO: [NAME OF LENDERS]

ATTENTION: ■

This Interest Determination Notice is being delivered pursuant to the amended and restated credit agreement dated as of June 16, 2009 (the "Credit Agreement") between Grafton-Fraser Inc., as borrower, the guarantors that may become from time to time parties thereto, BTD CP Holdings LP, as administrative agent, OFS Agency Services, LLC, as servicing agent and the lenders from time to time parties thereto. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Credit Agreement.

We hereby request that the Interest Period in respect of the Advance commencing on _____ be _____ months.

No Default or Event of Default has occurred and is continuing, nor shall any such event occur as a result of making the requested Advance or the application of proceeds therefrom.

DATED this _____ day of _____, _____.

GRAFTON-FRASER INC.

by _____
Name:
Title:

EXHIBIT C

FORM OF TRANSFER AGREEMENT

TO: GRAFTON-FRASER INC.

WHEREAS GF Acquisition Corp., predecessor to Grafton-Fraser Inc. (the "Borrower") entered into an amended and restated credit agreement dated June 16, 2009 (the "**Amended and Restated Credit Agreement**") with the Administrative Agent and the Servicing Agent, the Guarantors that may become parties thereto from time to time and the Lenders parties thereto from time to time whereby the Lenders agreed to provide the Borrower with a credit facility in an aggregate principal amount of \$50,000,000;

AND WHEREAS pursuant to and in accordance with Section 12.12 of the Amended and Restated Credit Agreement, any Lender may, with the prior written consent of the Borrower, assign or transfer all or any of its rights, benefits and obligations under the Amended and Restated Credit Agreement by duly completing, executing and delivering to the Borrower this Transfer Certificate and providing notice to the Agents;

AND WHEREAS any Lender (the "**Transferor**") wishes to assign or transfer to _____ (the "**Transferee**") the rights, benefits and obligations of the Transferor under the Amended and Restated Credit Agreement specified herein;

AND WHEREAS the Borrower has consented in writing to such assignment or transfer;

NOW THEREFORE in consideration of the foregoing and of \$1.00 and other good and valuable consideration, the receipt of which is hereby acknowledged, the signatories hereto agree as follows:

1. All capitalized terms defined in the Amended and Restated Credit Agreement and not otherwise defined herein have the same meaning as in the Amended and Restated Credit Agreement.

2. The Transferor assigns and transfers to the Transferee the following rights, benefits and obligations (the "**Transfer**"):

[description of the transferred rights, benefits and obligations, indicating retained interest or fees, if applicable, and Transferee's commitment and Participation]

(the "**Transferred Rights**", the "**Transferred Benefits**", the "**Transferred Obligations**", as applicable, and collectively the "**Transferred Rights, Benefits and Obligations**").

3. The Transferee accepts the Transfer and (if applicable) assumes the Transferred Obligations (the "**Assumption**").

4. The Transferee agrees with the Borrower that it shall be bound by the same obligations of the Lenders as the Transferee would have been under if the Transferee had been an original party to the Amended and Restated Credit Agreement.

5. The Transfer and the Assumption are governed by and subject to Section 12.12 of the Amended and Restated Credit Agreement.

6. The Transferee acknowledges and confirms that it has not relied upon and that the Transferor has not made any representation or warranty whatsoever as to the due execution, legality, effectiveness, validity or enforceability of the Amended and Restated Credit Agreement or any other documentation or information delivered by the Transferor to the Transferee in connection therewith or for the performance thereof by any party thereto or for the performance of any Guarantee by any Guarantor or for the financial condition of the Borrower or of any Guarantor. All representations, warranties and conditions expressed or implied by law or otherwise are hereby excluded.

7. The Transferee represents and warrants that it [is/is not] a non-resident within the meaning of the *Income Tax Act* (Canada) and that it has itself been, and will continue to be, solely responsible for making its own independent appraisal of and investigation into the financial condition, creditworthiness, affairs, status and nature of the Borrower and has not relied and will not hereafter rely on the Transferor to appraise or keep under review on its behalf the financial condition, creditworthiness, affairs, status or nature of the Borrower.

8. Each of the Transferor and the Transferee represents and warrants to the Borrower and the Guarantors that it has the capacity and power to enter into the Transfer and the Assumption in accordance with the terms hereof and to perform its obligations arising therefrom, and all action required to authorize the execution and delivery hereof and the performance of such obligations has been duly taken.

9. This Transfer Certificate shall be governed by and construed in accordance with the laws of the Province of Ontario, Canada.

DATED this _____ day of _____, 200__.

[TRANSFEROR]

by _____
Name:
Title:

[TRANSFEREE]

by _____
Name:
Title:

GRAFTON-FRASER INC.

by _____
Name:
Title:

SCHEDULE 1.1(A)
LENDERS AND COMMITMENTS

Name of Lender	Commitment
GSO Domestic Capital Funding (Luxembourg) S.A.R.L.	\$21,693,740
GSO Offshore Multicurrency Facility (Luxembourg) S.A.R.L.	\$28,306,260

SCHEDULE 1.1(C)

PERMITTED ENCUMBRANCES

"Permitted Encumbrances" means the following types of Encumbrances:

- (a) liens in respect of: (i) Taxes, assessments or governmental charges or claims the payment of which is not, at the time, overdue and (ii) Taxes, the payment of which are being contested in good faith by proper proceedings and for which adequate cash reserves are being maintained;
- (b) common law liens of landlords with respect to rights of distress, statutory liens of banks and rights of set-off, statutory liens of carriers, warehousemen, mechanics, repairmen, workmen and materialmen, and other liens imposed by law, in each case incurred in the ordinary course of business and not involving (i) in any individual case an amount in excess of \$200,000, or (ii) in the aggregate at any time outstanding an amount in excess of \$500,000 (in either case to the extent such amount is not adequately covered by insurance as to which a solvent and unaffiliated insurance company has acknowledged coverage) for amounts not yet overdue or for amounts that are overdue and that (in the case of any such amounts overdue for a period in excess of five days) are being contested in good faith by appropriate proceedings, so long as (1) such reserves or other appropriate provisions, if any, as shall be required by generally accepted accounting principles as applied in Canada shall have been made for any such contested amounts, and (2) in the case of a lien with respect to any portion of the Collateral, such contest proceedings conclusively operate to stay the sale of any portion of the Collateral on account of such lien;
- (c) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money), so long as no foreclosure, sale or similar proceedings have been commenced with respect to any portion of the Collateral on account thereof;
- (d) any attachment or judgment lien not involving (i) in any individual case an amount in excess of \$250,000, or (ii) in the aggregate at any time outstanding an amount in excess of \$500,000 (in either case to the extent such amount is not adequately covered by insurance as to which a solvent and unaffiliated insurance company has acknowledged coverage) so long as the same is being contested diligently in good faith by proper proceedings and for which adequate cash reserves are being maintained ;
- (e) leases or subleases granted to third parties which do not, individually and in the aggregate, interfere in any material respect with the ordinary conduct of the

business of the Borrower or any of its subsidiaries or result in a material diminution in the value of any of the Collateral;

- (f) easements, rights-of-way, restrictions, encroachments, reservations from title, zoning and private deed restrictions, site plan agreements, development agreements, operating agreements, cross-easement agreements and other defects or irregularities in title, in each case which do not and will not, individually and in the aggregate, interfere in any material respect with the ordinary conduct of the business of the Borrower or any of its subsidiaries or result in a material diminution in the value of any of the Collateral;
- (g) any (a) interest or title of a lessor or sublessor under any operating lease in respect of which the Borrower or any of its subsidiaries shall be, or become liable whether directly or by assignment or as a guarantor or other surety for the obligations of the lessee under any such operating lease, to the extent that the aggregate annual rental payments of the Borrower and its subsidiaries in respect of all such operating leases shall not exceed \$250,000, (b) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to, or (c) subordination of the interest of the lessee or sublessee under such lease to any restriction or encumbrance referred to in the preceding clause (b), so long as the holder of such restriction or encumbrance agrees to recognize the rights of such lessee or sublessee under such lease;
- (h) liens in favour of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;
- (i) any zoning or similar law or right reserved to or vested in any governmental office or agency to control or regulate the use of any Real Property;
- (j) liens against owners' or sublessors' interest in any leasehold property used or occupied by the Borrower or any of its subsidiaries;
- (k) liens securing obligations (other than obligations representing indebtedness for borrowed money) under operating, reciprocal easement or similar agreements entered into in the ordinary course of business of the Borrower or any of its subsidiaries;
- (l) Permitted Purchase Money Security Interests not exceeding an aggregate of \$2,500,000 outstanding at any time;
- (m) liens granted to secure the Indebtedness under the Loan Documents, the Revolving Credit Facility and the Stonehouse Subordinated Note;
- (n) liens granted in connection with Capital Leases and mortgages on Real Property if the Borrower's Consolidated Leverage Ratio is less than 3.25:1.0 on a *pro forma* basis after giving effect to such Capital Lease or mortgage; and

- (o) Encumbrances arising under agreements with credit card processors of the type described in such agreements provided to the Lender prior to the Closing Date (i.e. Global Payments agreements).

SCHEDULE 5.1(G)
ITEMS NOT TREATED CONSISTENTLY

For the fiscal year 2009, there will be a required accounting change to cost value of inventory and cost of sales. The Borrower's current accounting policy is to value inventory at the lower of cost or net realizable value, less normal profit margins. This means that the Borrower will write-down the cost of an inventory unit at the time it takes a retail price markdown as opposed to when it actually sells the item at the marked down price. The new policy removes the clause regarding "normal profit margins". Thus, the Borrower will no longer reflect a charge or write-down on its income statement when it takes a "retail" markdown, unless the retail is marked down very close to or below its original cost. The new policy will generally reflect inventory at the lower of cost or market, which is consistent with U.S. GAAP.

SCHEDULE 5.1(H)

PERMITTED AFFILIATE TRANSACTIONS

1. management fees paid to Affiliates of Borrower (not to exceed \$600,000 annually);
2. transaction fees paid to GBMP and its affiliates (not to exceed \$1,000,000)

SCHEDULE 5.1(i)

LITIGATION

Consent agreement dated July 26, 2006 between the Commissioner of Competition, Grafton-Fraser Inc. and Glenn Stonehouse registered under section 74.12 of the *Competition Act* (Canada).

SCHEDULE 5.1(x)

INSURANCE

Class of Insurance	Policy Period		Insurer & Policy	Limit
	From	To		
Property & all Risks	4/1/2009	4/1/2010	Affiliated FM Insurance Company Policy No. RW065	Limits: \$50,000,000
Boiler and Machinery	4/1/2009	4/1/2010	Aviva Insurance Company of Canada Policy No. 81345098	Limits: \$3,550,000
Commercial General Liability	4/1/2009	4/1/2010	Continental Casualty Company Policy No. MPR2825150	Bodily Injury and Property Damage Liability: \$1,000,000 Products & Completed Operations Aggregate: \$1,000,000
Umbrella Liability	4/1/2009	4/1/2010	Continental Casualty Company	Excess of \$1,000,000 Primary Commercial General Liability and Automobile Liability Policies: \$10,000,000

SCHEDULE 5.1(Z)

CAPITALIZATION AND SUBSIDIARIES
PART A

I. Jurisdiction of Organization, Location of Chief Executive Office and Places of Business

<u>Entity</u>	<u>Jurisdiction of Organization</u>	<u>Location of Chief Executive Office</u>	<u>Places of Business</u>
Grafton-Fraser Inc.	Ontario	44 Apex Road, Toronto , Ontario	Ontario, Alberta, Saskatchewan, Manitoba, British Columbia, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland
644562 Ontario Limited	Ontario	44 Apex Road, Toronto , Ontario	None (inactive)
720064 Ontario Limited	Ontario	44 Apex Road, Toronto , Ontario	None (inactive)
Gailwood Investments Limited	Ontario	44 Apex Road, Toronto , Ontario	None (inactive)

II. Capitalization

<u>Entity</u>	<u>Authorized Capital</u>	<u>Issued and Outstanding</u>
Grafton-Fraser Inc. (post amalgamation)	-unlimited number of Class A Common Shares -unlimited number of Class B Common Shares -unlimited number of Class C Common Shares -unlimited number of Class A Preferred Shares -unlimited number of Class B Preferred Shares	- 1,996,085 Class A Common Shares registered in the name of 1903 Equity Fund, L.P. - 17,964,763 Class A Preferred Shares registered in the name of 1903 Equity Fund, L.P. - 94,915 Class A Common Shares registered in the name of 1903 Co-Investor, L.P. - 854,237 Class A Preferred Shares registered in the name of 1903 Co-Investor, L.P. - 29,000 Class A Common Shares registered in the name of HEP North America Investments, L.P. - 261,000 Class A Preferred Shares registered in the name of HEP North America Investments, L.P. - 530,000 Class B Common Shares registered in the name of Stonehouse Group Inc. - 4,770,000 Class B Preferred Shares registered in the name of Stonehouse Group Inc.
644562 Ontario Limited ("644562")	-unlimited number of shares	-one common share issued and outstanding -registered in the name of Pre-Amalco GFI

720064 Ontario Limited	-unlimited number of common shares	-one common share issued and outstanding -registered in the name of 644562
Gailwood Investments Limited	-unlimited number of common shares	-100 common shares held by Pre-Amalco GFI -100 common shares held by Dominic Bellissimo Fashions Inc.

III. Description of Accounts

Grafton-Fraser Inc.

CIBC Account	Account No.	Beneficiary
Pre-authorized cheques	38-23113	Grafton-Fraser Inc.
Investment/Misc	35-12819	Grafton-Fraser Inc.
Expenses	38-60515	Grafton-Fraser Inc.
Sales Receipts	38-60619	Grafton-Fraser Inc.
Payroll	38-61716	Grafton-Fraser Inc.
Merchandise Suppliers	38-61910	Grafton-Fraser Inc.
U.S. Dollar Account	02-69212	Grafton-Fraser Inc.

PART B

(i) Description of Property Owned/Leased

Rights under the leases and other contracts, software licenses, insurance policies, shares in the subsidiaries, shares in a publicly traded portfolio, inventory at the leased stores, the headquarters and the warehouse, leasehold improvements at the same, computers and equipment at the same, leased and owned vehicles and intellectual property.

(ii) Material Contracts

Please see attached.

(iii) Indebtedness

Indebtedness under the Revolving Credit Facility, the Stonehouse Subordinated Note and the Credit Agreement (and not more than \$12 million of outstanding Indebtedness under the Revolving Credit Facility).

SCHEDULE 5.1(BB)

REAL PROPERTY

PART A REAL PROPERTY OWNED

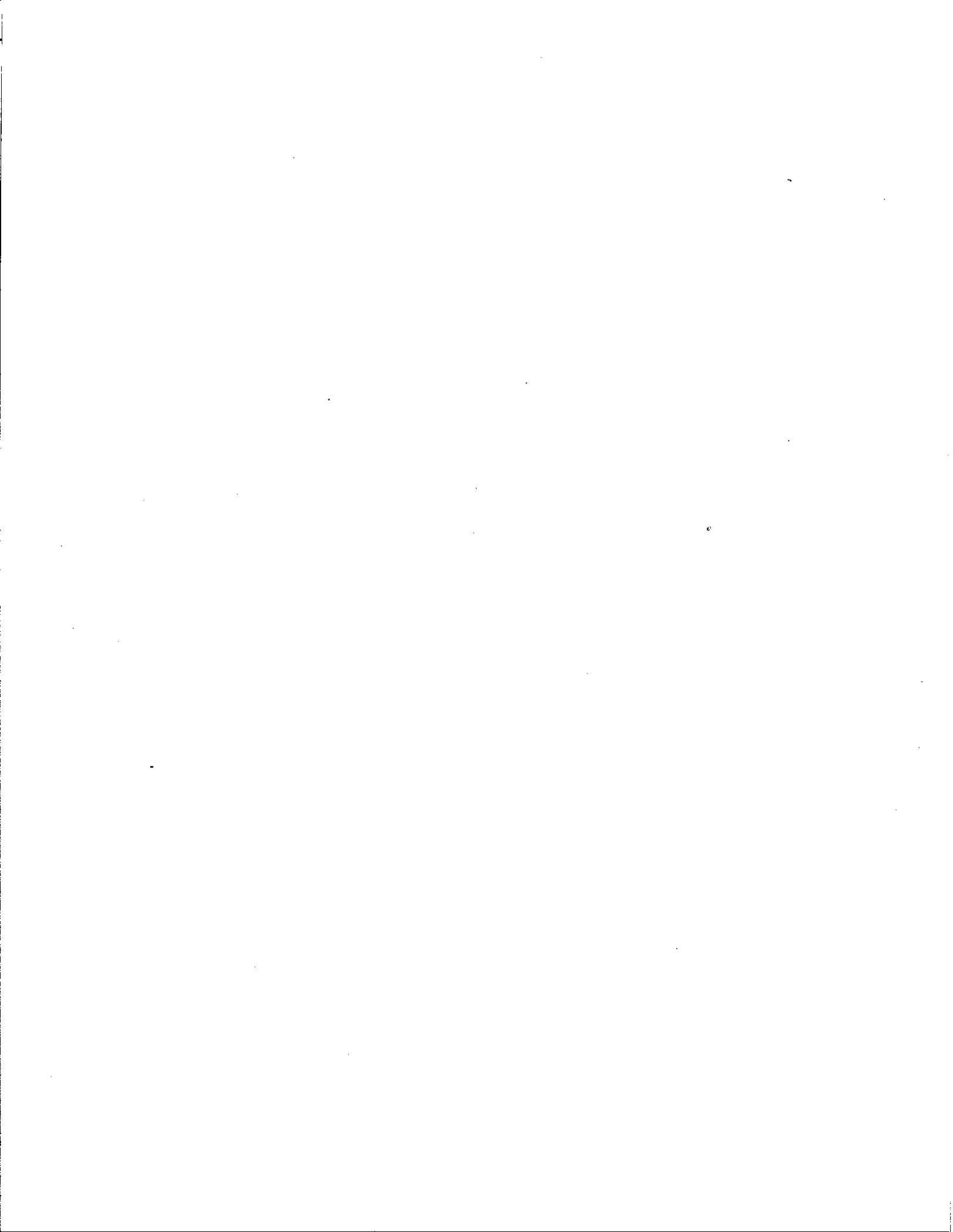
Nil

PART B REAL PROPERTY LEASED

The Borrower is a party to each Leases listed in the table on the attached pages.

**SCHEDULE 12.12
DISQUALIFIED LENDERS**

Nil



FIRST AMENDMENT TO THE AMENDED AND RESTATED CREDIT AGREEMENT

**GRAFTON-FRASER INC.,
AS BORROWER**

- and -

**THE GUARANTORS THAT MAY BECOME FROM TIME TO TIME
PARTIES HERETO**

- and -

**OFS AGENCY SERVICES, LLC,
as Servicing Agent**

- and -

**BTD CP HOLDINGS LP,
as Administrative Agent and
Lead Arranger**

- and -

**THE LENDERS FROM TIME TO TIME
PARTIES HERETO**

Credit Agreement

**Made as of May 24, 2007, as amended and
restated as of September 10, 2008 and as
further amended and restated as of June
16, 2009 and further amended as of April
12, 2010**

BETWEEN:

GRAFTON-FRASER INC.,
a corporation amalgamated under the laws of the Province
of Ontario, as borrower

(hereinafter referred to as the "Borrower"),

- and -

**THE GUARANTORS THAT MAY BECOME FROM
TIME TO TIME PARTIES HERETO,**

(hereinafter referred to as the "Guarantors"),

- and -

**THE LENDERS FROM TIME TO TIME PARTIES
HERETO,**

(hereinafter referred to as the "Lenders"),

- and -

OFS AGENCY SERVICES, LLC,
a limited liability company formed under the laws of the
State of Delaware, as Servicing Agent for the
Lenders

(hereinafter referred to as the "Servicing Agent")

BTD CP HOLDINGS LP,
a limited partnership formed under the laws of the State of
Delaware, as Administrative Agent and Lead
Arranger (formerly known as GSO Capital Partners
LP and GSO CP Holdings LP),

(hereinafter referred to in its own capacity as "GSO LP"
and in its capacity as administrative agent on behalf
of the Lenders, as the "Administrative Agent"),

WHEREAS GF Acquisition Corp., the predecessor by amalgamation to the Borrower, and GSO Special Situations Fund LP were parties to a credit agreement dated as of May 24, 2007 with the guarantors that may become from time to time parties thereto and the lenders that may become from time to time parties thereto (the "Original Credit Agreement");

AND WHEREAS the original lenders party to the Original Credit Agreement subsequently assigned their Participations (as such term is hereinafter defined) in the aggregate Outstanding Advance (as such term is hereinafter defined) to the Lenders;

AND WHEREAS on September 10, 2008, GSO Special Situations Fund LP resigned as administrative agent and lead arranger under the Original Credit Agreement and BTD CP Holdings (formerly know as GSO Capital Partners LP and GSO CP Holdings LP) was appointed to such positions;

AND WHEREAS on September 10, 2008, OFS Agency Services, LLC was appointed the Servicing Agent and agreed to assume certain responsibilities previously under the responsibility of the administrative agent;

AND WHEREAS on September 10, 2008, the parties entered into an amended and restated credit agreement to reflect the resignation and appointments referred to above and certain other amendments set forth therein;

AND WHEREAS on June 16, 2009, the parties entered into a further amended and restated credit agreement (the "Existing Credit Agreement") to, among other things, amend certain covenants of the Borrower set forth in the Existing Credit Agreement and the interest rate payable on the advance;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE 1 **INTERPRETATION**

- 1.1 All capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed in the Existing Credit Agreement.

ARTICLE 2 **AMENDMENTS**

- 2.1 Article 1 of the Existing Credit Agreement is hereby amended as follows:
- (a) by deleting the following in the definition of "EBITDA" (section a) immediately after "(iii) for purposes of any determination hereunder for and including all periods commencing on the beginning of fiscal 2009 to the fiscal period ending July 31, 2010, Termination and Discontinued Store Costs":

“not to exceed \$500,000 in the aggregate;”

- (b) and by adding the following in the definition of “EBITDA” (section a) immediately after “(iii) for purposes of any determination hereunder for and including all periods commencing on the beginning of fiscal 2009 to the fiscal period ending July 31, 2010, Termination and Discontinued Store Costs”:

“and (iv) previously agreed upon consulting fees and related expenses incurred in 2009 as part of the Grayson consulting project not to exceed \$186,000.”

ARTICLE 3

CONSENT

- 3.1 The parties hereto hereby consent to the assignment by BTD CP Holding LP of all of its rights and obligations as Administrative Agent to GSO Capital Partners LP.

ARTICLE 4

MISCELLANEOUS

- 4.1 The Borrower hereby represents and warrant to the Lenders and the Agents that (a) all consents, approvals and authorizations necessary for the Borrower's execution, delivery and performance of this Amendment have been obtained and (b) hereby reaffirms the representations and warranties set forth in the Existing Credit Agreement as of the date hereof (except to the extent such representation or warranty expressly relates to an earlier date).
- 4.2 This Amendment is made in amendment and modification of, but not in extinguishment of, the obligations set forth in the Existing Credit Agreement and, except as specifically modified pursuant to the terms hereof, the terms and conditions of the Existing Credit Agreement remain in full force and effect. Nothing herein shall limit in any way the rights and remedies of the Lenders under the Existing Credit Agreement. The execution, delivery and performance by the parties hereto does not in any way constitute a waiver, forbearance or other indulgence with respect to any default or event of default under the Existing Credit Agreement.
- 4.3 This Amendment may be executed by the parties in separate counterparts (by original or otherwise) each of which when so executed and delivered shall be an original, but all of which, when taken together, shall together constitute one and the same instrument.

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IN WITNESS WHEREOF the parties hereto have executed this Agreement.

**GRAFTON-FRASER INC., AS
BORROWER**

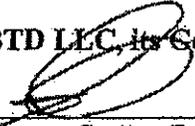
by

Name: Brian Reel

Title: Chief Financial Officer

**BTD CP HOLDINGS LP, AS
ADMINISTRATIVE AGENT AND
LEAD ARRANGER**

BY: BTD LLC, its General Partner



Name: George Fan

Title: ... Authorized Signatory

by

Name:

Title:

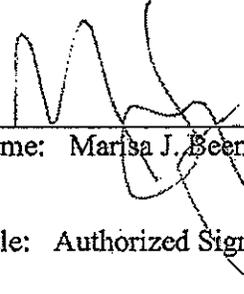
Address:

280 Park Avenue
11th Floor, Building East
New York, New York, 10017

**GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., AS
LENDER**

**BY: GSO CAPITAL PARTNERS LP,
ITS COLLATERAL MANAGER**

by



Name: Marisa J. Beeney

Title: Authorized Signatory

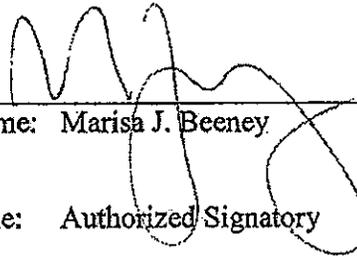
Address:

280 Park Avenue
11th Floor, Building East
New York, New York, 10017

**GSO OFFSHORE
MULTICURRENCY FACILITY
(LUXEMBOURG) S.A.R.L., AS
LENDER**

**BY: GSO CAPITAL PARTNERS LP,
ITS PORTFOLIO MANAGER**

by



Name: Marisa J. Beeney
Title: Authorized Signatory

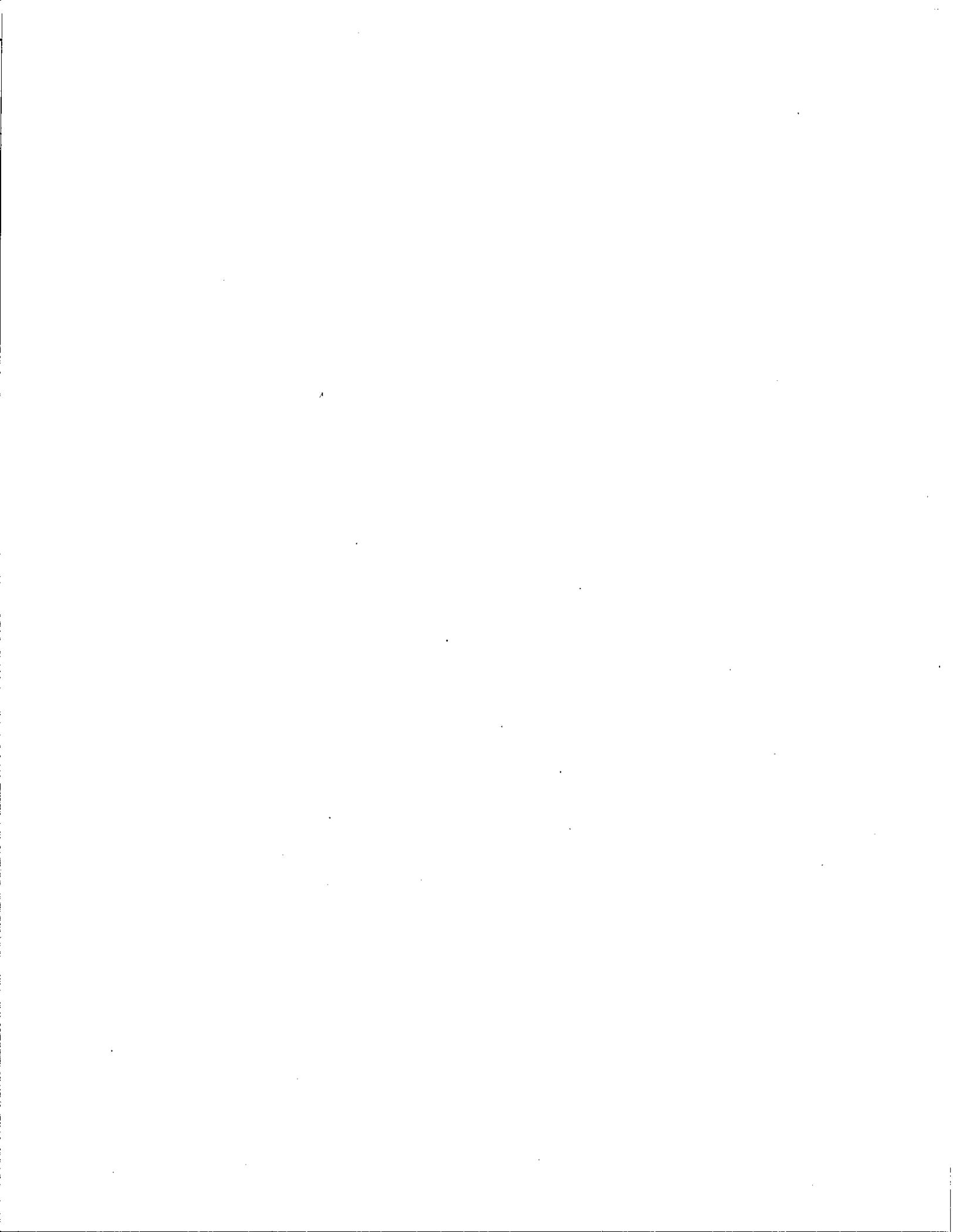
**OFS AGENCY SERVICES, LLC, AS
SERVICING AGENT**

**BY: ORCHARD FIRST SOURCE
CAPITAL, INC., ITS
ATTORNEY IN FACT**

by

Name:

Title:



**SECOND AMENDMENT TO THE AMENDED AND RESTATED CREDIT
AGREEMENT**

**GRAFTON-FRASER INC.,
As Borrower**

- and -

**THE GUARANTORS THAT MAY BECOME FROM TIME TO TIME
PARTIES HERETO**

- and -

**OFS AGENCY SERVICES, LLC,
as Servicing Agent**

- and -

**GSO CAPITAL PARTNERS LP
as Administrative Agent and
Lead Arranger**

- and -

**THE LENDERS FROM TIME TO TIME
PARTIES HERETO**

Credit Agreement

**made as of May 24, 2007, as amended and
restated as of September 10, 2008 and as
further amended and restated as of June
16, 2009, April 12, 2010 and June 11, 2010**

BETWEEN:

GRAFTON-FRASER INC.,
a corporation amalgamated under the laws of the Province
of Ontario, as borrower

(hereinafter referred to as the "**Borrower**"),

- and -

**THE GUARANTORS THAT MAY BECOME FROM
TIME TO TIME PARTIES HERETO,**

(hereinafter referred to as the "**Guarantors**"),

- and -

**THE LENDERS FROM TIME TO TIME PARTIES
HERETO,**

(hereinafter referred to as the "**Lenders**"),

- and -

OFS AGENCY SERVICES, LLC,
a limited liability company formed under the laws
of the State of Delaware, as Servicing Agent for the
Lenders

(hereinafter referred to as the "**Servicing Agent**")

GSO CAPITAL PARTNERS LP,
a limited partnership formed under the laws of the State of
Delaware, as Administrative Agent and Lead
Arranger,

(hereinafter referred to in its own capacity as "**GSO LP**"
and in its capacity as administrative agent on behalf
of the Lenders, as the "**Administrative Agent**"),

WHEREAS on September 10, 2008, the parties to this Amendment amended and restated the credit agreement originally made by and among GF Acquisition Corp., (a predecessor of the Borrower), and GSO Special Situations Fund LP, as administrative agent and certain guarantors party thereto dated as of May 24, 2007 (the "**Original Credit Agreement**") such that GSO Special Situations Fund LP resigned as and was replaced as administrative agent and lead arranger by BTD CP Holdings, and OFS Agency Services, LLC was appointed as Servicing Agent;

AND WHEREAS on each of June 16, 2009, and on April 12, 2010 the parties to this Amendment made further amendments to the Original Credit Agreement to amend certain covenants of the Borrower set forth in the Original Credit Agreement, the interest rate payable on the advance, certain changes to the definitions of the Original Credit Agreement, and the Lenders thereunder consented to the assignment by BTD CP Holdings of its rights and obligations to GSO Capital Partners LP (the Original Credit Agreement and all such amendments collectively referred to herein as the "**Existing Credit Agreement**");

AND WHEREAS the parties now wish to amend the Existing Credit Agreement to amend certain definitions, terms and conditions in connection with a capital reorganization and repayment of indebtedness;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE 1 **INTERPRETATION**

1.1 **Capitalized Terms**

All capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed in the Existing Credit Agreement and the term "**Effective Date**" has the meaning given to that term in Section 3.1 of this Amendment.

All dollar amounts referred to in this Amendment are denominated in Canadian (CAD) currency.

1.2 **Incorporation into Existing Credit Agreement**

The Existing Credit Agreement and this Amendment shall henceforth be read together and shall have the effect as if all the provisions of such agreements were contained in one agreement (the Existing Credit Agreement, as amended by this amendment, the "**Amended Credit Agreement**").

provided that foreign exchange gains or losses, including gains or losses on the disposition of assets outside the ordinary course of business and restructuring charges, shall not be included in EBITDA.

On and after the Effective Date, the definition of Maturity Date in Section 1.1 of the Existing Credit Agreement is hereby amended and restated as follows:

“Maturity Date” means November 2, 2013.

On and after the Effective Date, the definition of Cumulative Free Cash Flow in Section 1.1 of the Existing Credit Agreement is hereby amended and restated as follows:

“Cumulative Free Cash Flow” means, at any date, pre-tax income for the prior fiscal year (determined in accordance with GAAP Net Income plus income tax expenses) plus, to the extent deducted from pre-tax income, and without duplication, (i) non-cash interest expense, depreciation expense, amortization expense and other non-cash expenses (including any non-cash straight line rent adjustments), less (ii) Capital Expenditures and cash Taxes actually paid by the Borrower or any Subsidiary of the Borrower during each of the Borrower’s fiscal years.

2.2 Amendments to The Facility (Article 2)

On and after the Effective Date, Section 2.8 of the Existing Credit Agreement is hereby amended by inserting the following clause immediately after clause (d):

(e) Notwithstanding the requirement for a payment on or before April 15, 2011, as set out in Section 2.8(b)(ii) above, in connection with the fiscal year ended January 29, 2011, a portion of the outstanding advance equal to 25% of Cumulative Free Cash Flow, calculated as of the last day of the immediately preceding fiscal year of the Borrower, shall become due and payable and the Borrower shall prepay such amount at a redemption price equal to 100% of such portion.

2.3 Amendments to Covenants (Article 6)

On and after the Effective Date, Section 6.1(a)– Financial Reporting in the Existing Credit Agreement is hereby amended by deleting the number “105” in the fourth line of section (ii) thereof and replacing it with the number “135”.

On and after the Effective Date, Section 6.2(g)(ii) and Section 6.2(g)(iii) – Limitations on Capital Expenditures in the Existing Credit Agreement are hereby deleted and replaced as follows:

(ii) for the year ended January 29, 2011, \$3.00 million; and

(iii) for each of the years ended January 28, 2012 , January 26, 2013 and January 25, 2014, \$4.00 million.

On and after the Effective Date, Section 6.3 - Financial Covenants, is hereby amended and restated as follows:

The Borrower covenants and agrees with the Administrative Agent and the Lenders that, unless the Administrative Agent and the Required Lenders otherwise consent in writing, so long as any Obligation hereunder or under the other Loan Documents remains outstanding, the Borrower and any Guarantor: (a) shall not, as of each fiscal quarter end of the Borrower set forth below, permit the LTM EBITDA to be less than the amount set forth below:

<u>For the Fiscal Quarter Ended on or About:</u>	<u>Minimum LTM EBITDA:</u>
January 30, 2010 (Q4)	\$9.75 million
May 1, 2010 (Q1)	\$9.75 million
July 31, 2010 (Q2)	\$9.75 million
October 30, 2010 (Q3)	\$9.75 million
January 29, 2011 (Q4)	\$10.0 million
April 30, 2011 (Q1)	\$10.0 million
July 30, 2011 (Q2)	\$10.5 million
October 29, 2011 (Q3)	\$10.5 million
January 28, 2012 (Q4)	\$11.0 million
April 28, 2012 (Q1)	\$11.0 million
All fiscal quarters ending from and including July 28, 2012 to the Maturity Date	\$11.5 million

(b) shall not, as of each fiscal quarter end set forth below, permit the Consolidated Leverage Ratio to exceed the ratio set forth below:

<u>For the Fiscal Quarter Ended on or About:</u>	<u>Consolidated Leverage Ratio:</u>
January 30, 2010 (Q4)	5.85x
May 1, 2010 (Q1)	5.85x
July 31, 2010 (Q2)	5.65x

October 30, 2010 (Q3)	5.65x
January 29, 2011 (Q4)	5.15x
April 30, 2011 (Q1)	5.25x
July 30, 2011 (Q2)	4.95x
October 29, 2011 (Q3)	4.95x
January 28, 2012 (Q4)	4.75x
April 28, 2012 (Q1)	4.75x
July 28, 2012 (Q2)	4.70x
October 27, 2012 (Q3)	4.70x
All fiscal quarters ending from and including January 26, 2013 to the Maturity Date	4.60x

(c) For the purposes of the calculation of Senior Indebtedness and Consolidated Leverage Ratio under this Section 6.3, Indebtedness under the Revolving Credit Facility shall be the average daily revolver balance for the 90 day period immediately prior to the date of determination of the financial covenants.

For the fiscal quarters ended May 2010 and July 2010 set out in Section 6.3(b) above, the leverage test will be calculated after giving full effect to any reduction of Senior Indebtedness made with new equity capital from existing shareholders as contemplated in Section 3.1 of the Amendment made as of June 11, 2010.

ARTICLE 3 **CONDITIONS PRECEDENT**

3.1 Conditions to Effectiveness

This Amendment shall become effective upon the satisfaction of the following conditions precedent by the Borrower (the date on which such satisfaction occurs, the "Effective Date"):

- (a) the Administrative Agent shall have received this Amendment duly executed and delivered by the Administrative Agent, the Lenders, the Borrower and the Servicing Agent;
- (b) the representations and warranties set forth in Section 5.1 of the Existing Credit Agreement shall be true and correct as of the Effective Date of this Amendment (except to the extent such representation or warranty expressly relates to an earlier date);

- (c) no Default or Event of Default shall be in existence or would occur after giving effect to any of the transactions contemplated hereby;
- (d) all of the closing conditions of the Master Framework Agreement dated June 11, 2010 (the "**Master Framework Agreement**") shall have been satisfied or waived by the applicable parties thereto, including the delivery and surrender of the Stonehouse Subordinated Note to the Company for cancellation and the termination of the Subordination Agreement, the Subordination Amendment Agreement, the Stonehouse General Security Agreement dated as of May 24, 2007 between Stonehouse Holdco and GF Acquisition Corp. and related confirmation and agreement given by the Borrower to Stonehouse Holdco on May 24, 2007 (the "**Stonehouse GSA**") and the discharge of any personal property security registrations made in respect thereof;
- (e) in accordance with the Master Framework Agreement, the Borrower's existing shareholders shall have made an equity investment of \$7,000,000.00 in the Company, of which \$5,500,000.00 of the proceeds thereof shall have been paid to the Servicing Agent, for the account of the Lenders to reduce the outstanding borrowings under the Existing Credit Facility, and of which at least \$1,200,000.00 of the proceeds thereof shall have been used to repay outstanding borrowings owed to the Revolving Lender;
- (f) any legal expenses incurred in connection with the Master Framework Agreement or this Amendment shall have been paid;
- (g) GP Merchant Partners LP shall have confirmed to the Borrower in writing that it has written off and forgiven all Management Fees previously accrued that were unpaid as of the date hereof; and
- (h) the Administrative Agent shall have received such additional evidence, documents or undertakings as the Lenders may reasonably request to confirm the consummation of the transactions contemplated in the Master Framework Agreement.

ARTICLE 4

EXTINGUISHMENT OF OUTSTANDING DEBT AND THE STONEHOUSE SUBORDINATED NOTE

4.1 Extinguishment of aggregate outstanding advance to the Lender

On and after the Effective Date, the Lender agrees that if each of the conditions in Section 3.1 are met, it will permanently reduce the aggregate amount of the Borrower's outstanding Advance to the Lender in an additional amount equal to \$638.30 for every multiple of \$10,000.00 of proceeds it receives from the Borrower as a result of the equity investment contemplated in the Master Framework Agreement and in Section 3.1(d) above. For the avoidance of doubt, this discount and extinguishment of debt will be available to the Borrower only on the Effective Date and only as it relates to any proceeds received as a result of the equity

investment described in Section 3.1(d). As of the Effective Date, the aggregate amount of the Borrower's outstanding Advance (include accrued but unpaid interest) is \$44,185,643.88 and after giving effect to the equity investment and subsequent repayments described in Section 3.1(d), the aggregate amount of the Borrower's outstanding Advance will be \$38,334,578.88.

4.2 Extinguishment of the Stonehouse Subordinated Note

On and after the Effective Date, each of the Stonehouse Subordinated Note, the Subordination Agreement, the Subordination Amendment Agreement, and the Stonehouse GSA and any other documents executed in connection therewith shall be terminated and of no further force and effect and any obligations described therein shall be deemed to be repaid in full, performed or extinguished.

ARTICLE 5
MISCELLANEOUS

5.1 Representations and Warranties

On and after the Effective Date, the Borrower hereby represents and warrant to the Lenders and the Administrative Agent and the Servicing Agent that (a) all consents, approvals and authorizations necessary for the Borrower's execution, delivery and performance of this Amendment have been obtained; (b) the execution and delivery of this Amendment are within its corporate power, have been duly authorized by all necessary corporate action, and do not and will not contravene or conflict with any provision of law applicable to it, the certificate of incorporation, by-laws or other applicable organizational documents it; (c) this Amendment is a legal, valid and binding obligation of it, enforceable against it in accordance with their terms, except as enforceability thereof may be limited by applicable bankruptcy, insolvency, moratorium and other laws relating to the enforcement of creditors' rights and by general principles of equity, whether considered at law or in equity; and (d) No Default or Event of Default has occurred and is existing or will occur after giving effect to the transactions contemplated by this Amendment.

5.2 Consent and Acknowledgement Regarding Master Framework Agreement Transactions

On and after the Effective Date, the Administrative Agent, the Servicing Agent and the Lenders hereby consent to the transactions contemplated in the Master Framework Agreement, including the purchase and cancellation of the Stonehouse Subordinated Note and the issuance and sale of Purchased Shares to the Purchasers (as such term is defined in the Master Framework Agreement) (the "Master Framework Agreement Transactions") and acknowledge notice of the Master Framework Agreement Transactions in accordance with s.6.1(i)(ix).

5.3 No other Amendments, Waivers or Consents

On and after the Effective Date, this Amendment is made in amendment and modification of, but not in extinguishment of, the obligations set forth in the Existing Credit Agreement and, except as specifically modified pursuant to the terms hereof, the terms and conditions of the Existing Credit Agreement remain in full force and effect now and following the transactions

contemplated by this Amendment. Nothing herein shall limit in any way the rights and remedies of the Lenders under the Existing Credit Agreement. Except as provided herein, the execution, delivery and performance by the parties hereto does not in any way constitute a waiver of, consent to, modification of, forbearance of or other indulgence with respect to any term or condition under the Existing Credit Agreement and shall not be deemed to prejudice any right or rights which Agent or Lenders may now have or may have in the future under or in connection with the Existing Credit Agreement.

5.4 Governing Law

This Amendment is a contract made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

5.5 Loan Document

This Amendment constitutes a Loan Document.

5.6 Counterparts

This Amendment may be executed by the parties in separate counterparts (by original or otherwise) each of which when so executed and delivered shall be an original, but all of which, when taken together, shall together constitute one and the same instrument.

IN WITNESS WHEREOF the parties hereto have executed this Amendment.

GRAFTON-FRASER INC., as Borrower

By

Name:

Title:

**GSO CAPITAL PARTNERS LP, as
Administrative Agent and Lead
Arranger**

by

Name:

Title:

by

Name:

Title:

Address:

280 Park Avenue
11th Floor, Building East
New York, New York, 10017

**GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., as Lender**

**By: GSO Capital Partners LP, its
collateral manager**

by

Name:

Title:

Address:

280 Park Avenue
11th Floor, Building East
New York, New York, 10017

**GSO OFFSHORE
MULTICURRENCY FACILITY
(LUXEMBOURG) S.A.R.L., as Lender**

**By: GSO Capital Partners LP, its
portfolio manager**

by

Name:

Title:

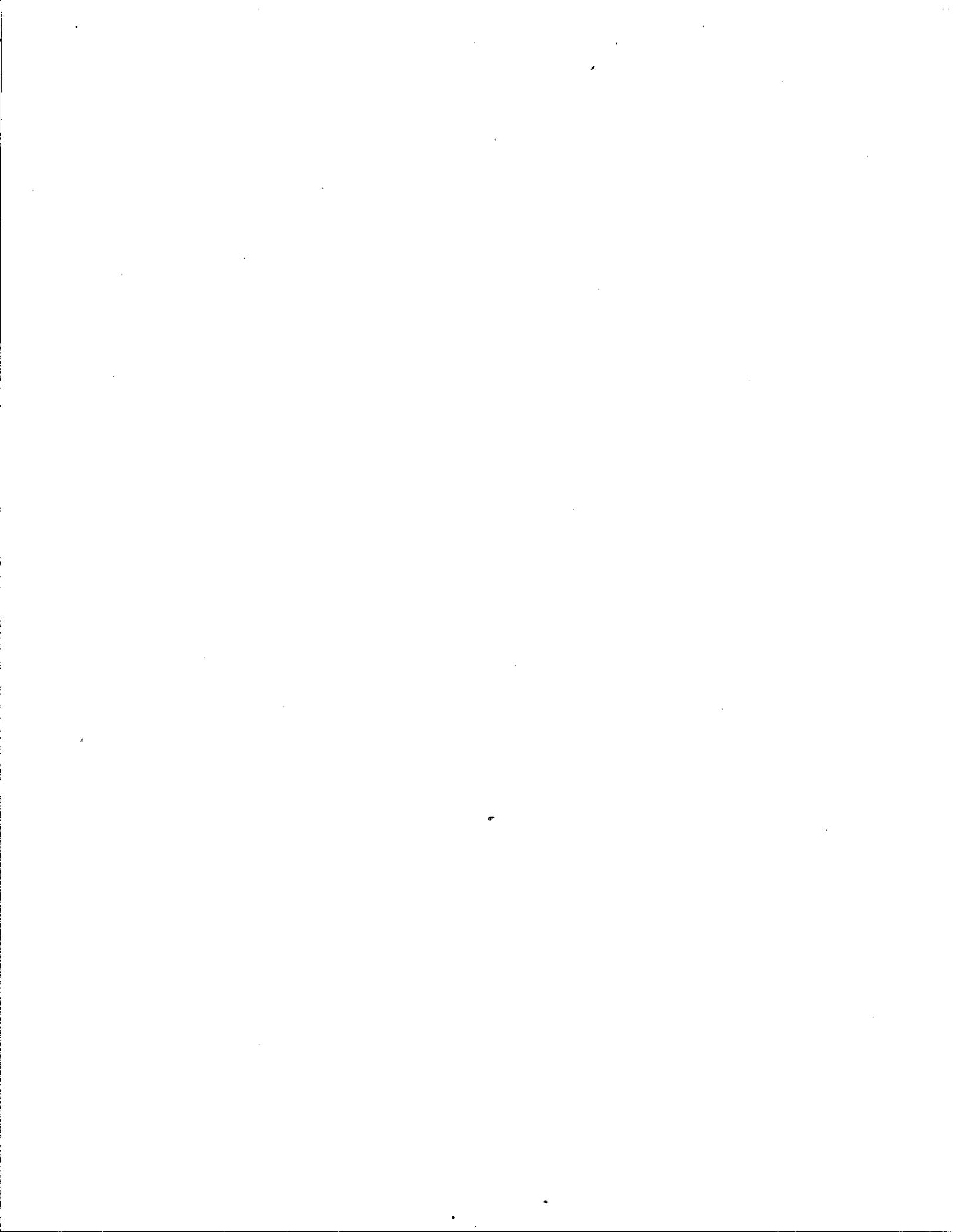
**OFS AGENCY SERVICES, LLC, as
Servicing Agent**

**By: Orchard First Source Capital, Inc.,
its attorney in fact**

by

Name:

Title:



THIRD AMENDMENT TO THE AMENDED AND RESTATED CREDIT AGREEMENT

**GRAFTON-FRASER INC.,
As Borrower**

- and -

**THE GUARANTORS THAT MAY BECOME FROM TIME TO TIME
PARTIES HERETO**

- and -

**OFS AGENCY SERVICES, LLC,
as Servicing Agent**

- and -

**GSO CAPITAL PARTNERS LP
as Administrative Agent and
Lead Arranger**

- and -

**THE LENDERS FROM TIME TO TIME
PARTIES HERETO**

Credit Agreement

**made as of May 24, 2007, as amended and
restated as of September 10, 2008 and as
further amended and restated as of June
16, 2009, April 12, 2010, June 11, 2010 and
March 18, 2011**

BETWEEN:

GRAFTON-FRASER INC.,

a corporation amalgamated under the laws of the Province
of Ontario, as borrower

(hereinafter referred to as the "Borrower"),

- and -

**THE GUARANTORS THAT MAY BECOME FROM
TIME TO TIME PARTIES HERETO,**

(hereinafter referred to as the "Guarantors"),

- and -

**THE LENDERS FROM TIME TO TIME PARTIES
HERETO,**

(hereinafter referred to as the "Lenders"),

- and -

OFS AGENCY SERVICES, LLC,

a limited liability company formed under the laws
of the State of Delaware, as Servicing Agent for the
Lenders

(hereinafter referred to as the "Servicing Agent")

GSO CAPITAL PARTNERS LP,

a limited partnership formed under the laws of the State of
Delaware, as Administrative Agent and Lead
Arranger,

(hereinafter referred to in its own capacity as "GSO LP"
and in its capacity as administrative agent on behalf
of the Lenders, as the "Administrative Agent"),

WHEREAS on September 10, 2008, the parties to this Amendment amended and restated the credit agreement originally made by and among GF Acquisition Corp., (a predecessor of the Borrower), and GSO Special Situations Fund LP, as administrative agent and certain guarantors party thereto dated as of May 24, 2007 (the "Original Credit Agreement") such that GSO Special Situations Fund LP resigned as and was replaced as administrative agent and lead arranger by BTM CP Holdings, and OFS Agency Services, LLC was appointed as Servicing Agent;

AND WHEREAS on each of June 16, 2009, April 12, 2010 and on June 11, 2010 the parties to this Amendment made further amendments to the Original Credit Agreement to amend certain covenants of the Borrower set forth in the Original Credit Agreement, the interest rate payable on the advance as well as certain changes to the definitions, terms and conditions in connection with a capital reorganization and repayment of indebtedness on June 11, 2010, and the Lenders thereunder consented to the assignment by BTM CP Holdings of its rights and obligations to GSO Capital Partners LP (the Original Credit Agreement and all such amendments collectively referred to herein as the "Existing Credit Agreement");

AND WHEREAS the parties now wish to amend the Existing Credit Agreement to further amend certain definitions;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE 1 **INTERPRETATION**

1.1 **Capitalized Terms**

All capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed in the Existing Credit Agreement.

All dollar amounts referred to in this Amendment are denominated in Canadian (CAD) currency.

ARTICLE 2 **AMENDMENTS**

2.1 **Amendments to Section 1.1 - Definitions**

The definition of EBITDA in Section 1.1 of the Existing Credit Agreement is hereby further amended as follows:

In Section 1.1 (vi) "non-store, executive severance incurred in 2009, 2010 and 2011, not to exceed \$600,000 on a trailing twelve month basis;" shall be replaced

with "non-store, executive severance incurred in 2009, 2010 and 2011, not to exceed \$1,200,000 on a trailing twelve month basis;"

In Section 1.1 (vii) "third-party management consultant fees incurred in the fiscal year ended January 29, 2011 and the fiscal year ended January 28, 2012 , not to exceed \$400,000 on a trailing twelve month basis;" shall be replaced with "third-party management consultant fees incurred in the fiscal year ended January 29, 2011 and the fiscal year ended January 28, 2012 , not to exceed \$800,000 on a trailing twelve month basis;"

IN WITNESS WHEREOF the parties hereto have executed this Amendment.

GRAFTON-FRASER INC., as Borrower

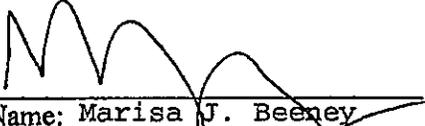
By

Name:

Title:

**GSO CAPITAL PARTNERS LP, as
Administrative Agent and Lead
Arranger**

by



Name: Marisa J. Beeney

Title: Authorized Signatory

by

Name:
Title:

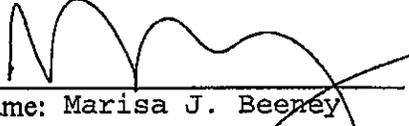
Address:

280 Park Avenue
11th Floor, Building East
New York, New York, 10017

**GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., as Lender**

By: GSO Capital Partners LP, its
collateral manager

by



Name: Marisa J. Beeney

Title: Authorized Signatory

Address:

280 Park Avenue
11th Floor, Building East
New York, New York, 10017

**GSO OFFSHORE
MULTICURRENCY FACILITY
(LUXEMBOURG) S.A.R.L., as Lender**

By: GSO Capital Partners LP, its
portfolio manager

by


Name: Marisa J. Beeney
Title: Authorized Signatory

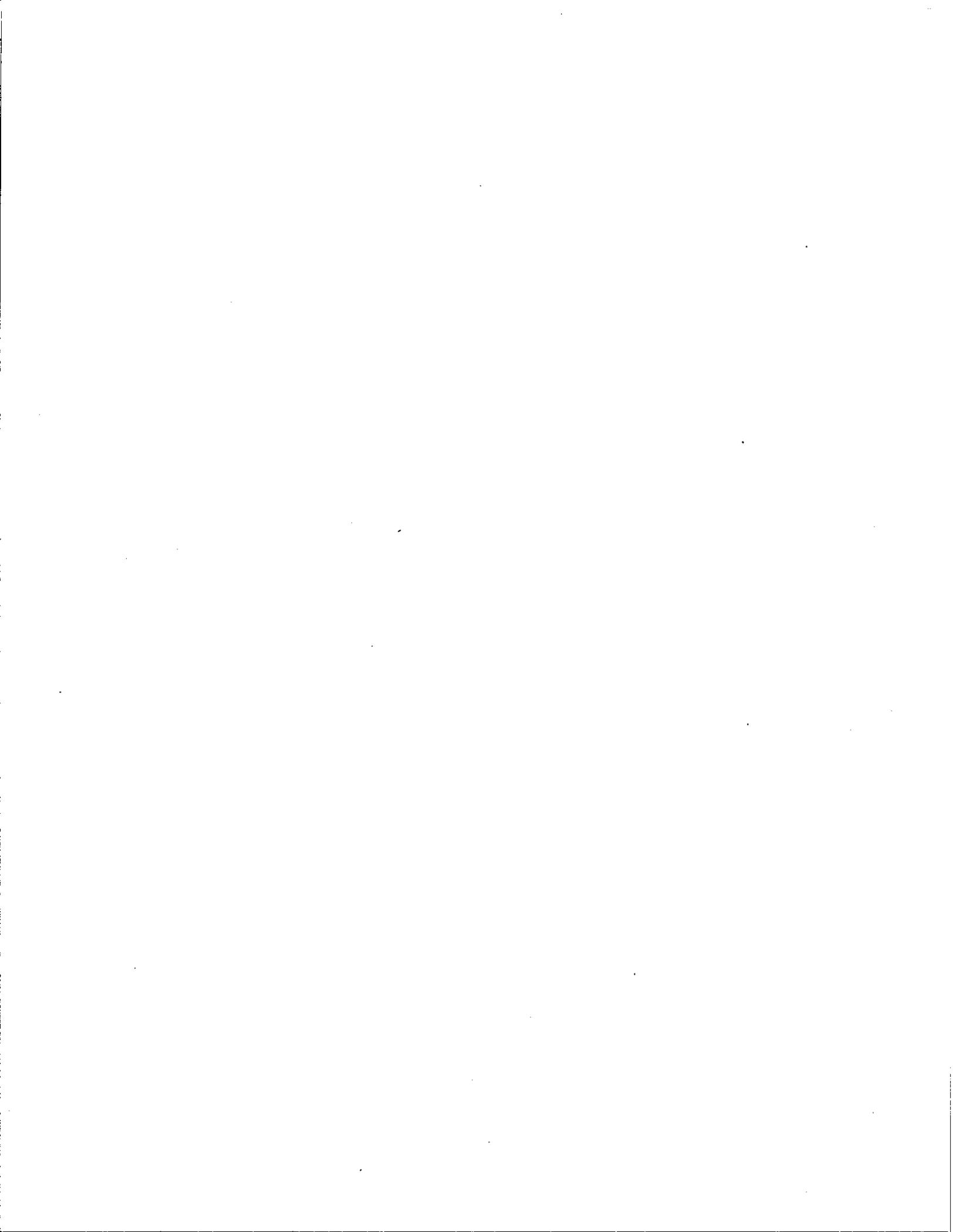
**OFS AGENCY SERVICES, LLC, as
Servicing Agent**

By: Orchard First Source Capital, Inc.,
its attorney in fact

by

Name:

Title:



**FOURTH AMENDMENT TO THE AMENDED AND RESTATED CREDIT
AGREEMENT**

**GRAFTON-FRASER INC.,
As Borrower**

- and -

**THE GUARANTORS THAT MAY BECOME FROM TIME TO TIME
PARTIES HERETO**

- and -

**OFS AGENCY SERVICES, LLC,
as Servicing Agent**

- and -

**GSO CAPITAL PARTNERS LP
as Administrative Agent and
Lead Arranger**

- and -

**THE LENDERS FROM TIME TO TIME
PARTIES HERETO**

Credit Agreement

**Made as of May 24, 2007, as amended and
restated as of September 10, 2008 and as
further amended and restated as of June
16, 2009 and further amended as of April
12, 2010, June 11, 2010, March 18, 2011
and December 31, 2012**

BETWEEN:

GRAFTON-FRASER INC., a corporation amalgamated under the laws of the Province of Ontario, as borrower

(hereinafter referred to as the "Borrower"),

- and -

THE GUARANTORS THAT ARE PARTIES TO THE EXISTING CREDIT AGREEMENT (AS DEFINED BELOW);

(hereinafter referred to as the "Guarantors"),

- and -

THE LENDERS THAT ARE PARTIES TO THE EXISTING CREDIT AGREEMENT (AS DEFINED BELOW);

(hereinafter referred to as the "Lenders"),

- and -

OFS AGENCY SERVICES, LLC, a limited liability company formed under the laws of the State of Delaware, as Servicing Agent for the Lenders

(hereinafter referred to as the "Servicing Agent")

- and -

GSO CAPITAL PARTNERS, LP, a limited partnership formed under the laws of the State of Delaware, as Administrative Agent and Lead Arranger,

(hereinafter referred to in its own capacity as "GSO LP" and in its capacity as administrative agent on behalf of the Lenders, as the "Administrative Agent"),

WHEREAS GF Acquisition Corp., the predecessor by amalgamation to the Borrower, and GSO Special Situations Fund LP were parties to a credit agreement dated as of May 24, 2007 with the guarantors that may become from time to time parties thereto and the lenders that may become from time to time parties thereto (the "Original Credit Agreement");

AND WHEREAS the original lenders party to the Original Credit Agreement subsequently assigned their Participations (as such term is hereinafter defined) in the aggregate Outstanding Advance (as such term is hereinafter defined) to the Lenders;

AND WHEREAS on September 10, 2008, GSO Special Situations Fund LP resigned as administrative agent and lead arranger under the Original Credit Agreement and BTDCP Holdings (formerly know as GSO Capital Partners LP and GSO CP Holdings LP) was appointed to such positions;

AND WHEREAS on September 10, 2008, OFS Agency Services, LLC was appointed the Servicing Agent and agreed to assume certain responsibilities previously under the responsibility of the administrative agent;

AND WHEREAS on September 10, 2008, the parties entered into an amended and restated credit agreement to reflect the resignation and appointments referred to above and certain other amendments set forth therein;

AND WHEREAS on June 16, 2009, April 12, 2010, June 11, 2010 and March 18, 2011 the parties to this Amendment made further amendments to the amended and restated credit agreement to, among other things, amend certain covenants of the Borrower set forth in the Original Credit Agreement, the interest rate payable on the advance and make certain changes to the definitions, terms and conditions in connection with the capital reorganization and repayment of indebtedness on June 11, 2010, and the Lenders thereunder consented to the assignment by BTDCP Holdings of its rights and obligations to GSO Capital Partner LP (the Original Credit Agreement and all such amendments collectively referred to herein as the "Existing Credit Agreement");

AND WHEREAS the parties now wish to amend the Existing Credit Agreement to amend certain definitions, terms and conditions in connection with a repayment of indebtedness;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Capitalized Terms

All capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed in the Existing Credit Agreement.

ARTICLE 2
AMENDMENTS

2.1 **Amendments to Definitions (Section 1.1)**

The definition of "Maturity Date" in Section 1.1 of the Existing Credit Agreement is hereby amended by changing "November 2, 2013" to "November 3, 2014"

2.2 **Amendments to Facility (Article 2)**

Section 2.8 of the Existing Credit Agreement is hereby amended by inserting the following clause immediately after clause (e) in Section 2.8 - Mandatory Prepayments:

"(f) Notwithstanding Section 2.8(b)(ii) above, a portion of the outstanding Advance equal to 50% of the Cumulative Free Cash Flow for the fiscal year ended February 2, 2013, calculated as of such date, shall not become due and payable on April 15, 2013 and the Borrower shall not be required to such amount on such date, but such portion of the outstanding Advance shall become due and payable instead on September ____, 2013 and the Borrower shall prepay such amount at a redemption price equal to 100% of such portion on such date."

2.3 **Amendments to Covenants (Article 6)**

Article 6 (Covenants) of the Existing Credit Agreement is further amended as follows:

- (a) In all instances where the term "fiscal year ended January 26, 2013" is used, it shall be deleted and replaced with "fiscal year ended February 2, 2013" to reflect the Borrower's correct fiscal year end; and
- (b) Section 6.2(g)(iii) - Limitations on Capital Expenditures in the Existing Credit Agreement is hereby amended by changing "(iii) for each of the years ended January 28, 2012, January 26, 2013 and January 25, 2014, \$4.00 million" to "(iii) for each of the years ended January 28, 2012, February 2, 2013, January 25, 2014 and January 31, 2015, \$4.00 million"

ARTICLE 3
CONDITIONS PRECEDENT

3.1 **Conditions to Effectiveness**

This Agreement shall not be effective until the date on which each of the following conditions is satisfied by the Borrower:

- (a) on or before December 31, 2012, the Borrower shall prepay \$3,000,000 of the outstanding Advance at a redemption price equal to 100% of the principal amount of the Commitments being prepaid;
- (b) the Revolving Lender shall have agreed to amend the maturity date of the Revolving Credit Facility from October 4, 2013 to October 3, 2014;
- (c) the representations and warranties set forth in Article 5 (Section 5.1) of the Existing Credit Agreement shall be true and correct as of the date of this Amendment (except to the extent such representation or warranty expressly relates to an earlier date); and
- (d) no Default or Event of Default shall have occurred and be continuing.

ARTICLE 4
MISCELLANEOUS

- 4.1 The Borrower hereby represents and warrant to the Lenders and the Agents that (a) all consents, approvals and authorizations necessary for the Borrower's execution, delivery and performance of this Amendment have been obtained and (b) hereby reaffirms the representations and warranties set forth in the Existing Credit Agreement as of the date hereof (except to the extent such representation or warranty expressly relates to an earlier date).
- 4.2 This Amendment is made in amendment and modification of, but not in extinguishment of, the obligations set forth in the Existing Credit Agreement and, except as specifically modified pursuant to the terms hereof, the terms and conditions of the Existing Credit Agreement remain in full force and effect. Nothing herein shall limit in any way the rights and remedies of the Lenders under the Existing Credit Agreement. The execution, delivery and performance by the parties hereto does not in any way constitute a waiver, forbearance or other indulgence with respect to any default or event of default under the Existing Credit Agreement.
- 4.3 This Amendment may be executed by the parties in separate counterparts (by original or otherwise) each of which when so executed and delivered shall be an original, but all of which, when taken together, shall together constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

GRAFTON-FRASER INC., as Borrower

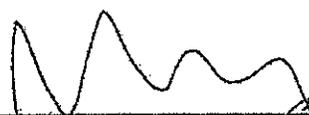
By

Name:

Title:

**GSO CAPITAL PARTNERS LP, as
Administrative Agent and Lead
Arranger**

by



Name:

**MARISA J. BEENEY
AUTHORIZED SIGNATORY**

Title:

by

Name:

Title:

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., as Lender**

**By: GSO Capital Partners LP, its
collateral manager**

by



Name:

**MARISA J. BEENEY
AUTHORIZED SIGNATORY**

Title:

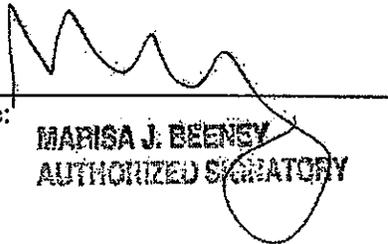
Address:

345 Park Avenue
31st, Floor
New York, New York, 10154

**GSO OFFSHORE
MULTICURRENCY FACILITY
(LUXEMBOURG) S.A.R.L., as Lender**

**By: GSO Capital Partners LP, its
portfolio manager**

by


Name: **MARISA J. BEENEY**
AUTHORIZED SIGNATORY
Title:

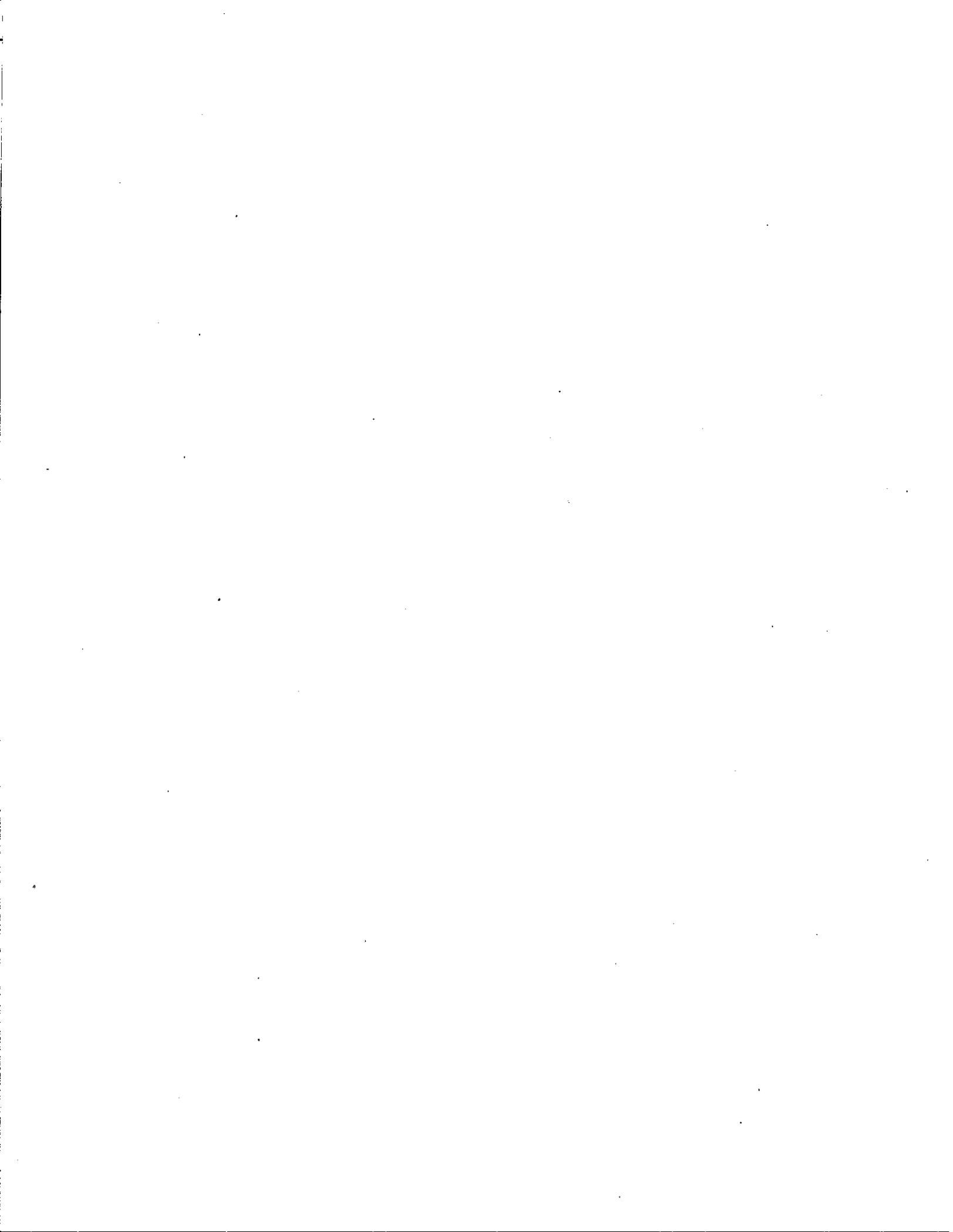
**OFS AGENCY SERVICES, LLC, as
Servicing Agent**

**By: Orchard First Source Capital, Inc.,
its attorney in fact**

by

Name:

Title:



AMENDING AGREEMENT

THIS AGREEMENT made as of June 17, 2014,

BETWEEN:

GRAFTON-FRASER INC., a corporation amalgamated under the laws of the Province of Ontario, as borrower

(hereinafter referred to as the "Borrower"),

- and -

THE GUARANTORS THAT ARE PARTIES TO THE EXISTING CREDIT AGREEMENT (AS DEFINED BELOW),

(hereinafter referred to as the "Guarantors"),

- and -

THE LENDERS THAT ARE PARTIES TO THE EXISTING CREDIT AGREEMENT (AS DEFINED BELOW),

(hereinafter referred to as the "Lenders"),

- and -

OFS AGENCY SERVICES, LLC, a limited liability company formed under the laws of the State of Delaware, as Servicing Agent for the Lenders

(hereinafter referred to as the "Servicing Agent")

- and -

GSO CAPITAL PARTNERS, LP, a limited partnership formed under the laws of the State of Delaware, as Administrative Agent and Lead Arranger,

(hereinafter referred to in its own capacity as "GSO LP" and in its capacity as administrative agent on behalf of the Lenders, as the "Administrative Agent").

WHEREAS GF Acquisition Corp., the predecessor by amalgamation to the Borrower, and GSO Special Situations Fund LP were parties to a credit agreement dated as of May 24, 2007 with the guarantors that may become from time to time parties thereto and the lenders that may become from time to time parties thereto (the "**Original Credit Agreement**");

AND WHEREAS on September 10, 2008, GSO Special Situations Fund LP resigned as administrative agent and lead arranger under the Original Credit Agreement and BTD CP Holdings LP (formerly known as GSO Capital Partners LP and GSO CP Holdings LP) was appointed to such positions;

AND WHEREAS on September 10, 2008, OFS Agency Services, LLC was appointed the Servicing Agent and agreed to assume certain responsibilities previously under the responsibility of the administrative agent;

AND WHEREAS on September 10, 2008, the parties entered into an amended and restated credit agreement (the "**Second Amended and Restated Credit Agreement**") to reflect the resignation and appointments referred to above and certain other amendments set forth therein;

AND WHEREAS on June 16, 2009, the parties to this Amendment entered into an amended and restated credit agreement (the "**Third Amended and Restated Credit Agreement**") to amend certain covenants of the Borrower, and on April 12, 2010, June 11, 2010, March 18, 2011 and December 31, 2012, the parties to the Third Amended and Restated Credit Agreement made further amendments to the Third Amended and Restated Credit Agreement to, among other things, amend certain covenants of the Borrower set forth in the Third Amended and Restated Credit Agreement, the interest rate payable on the Advance, make certain changes to the definitions, terms and conditions in connection with the capital reorganization and repayment of indebtedness on June 11, 2010 and extend the Maturity Date to November 3, 2014 and make certain other changes to the definitions, terms and conditions in connection with a repayment of indebtedness on December 31, 2012, and the Lenders thereunder consented to the assignment by BTD CP Holdings LP of its rights and obligations to GSO Capital Partner, LP (the Third Amended and Restated Credit Agreement and all such amendments collectively referred to herein as the "**Existing Credit Agreement**");

AND WHEREAS the parties now wish to amend the Existing Credit Agreement to amend certain definitions, terms and conditions in connection with a repayment of indebtedness;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 **Capitalized Terms**

All capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed in the Existing Credit Agreement.

ARTICLE 2
AMENDMENTS

2.1 Amendments to Definitions (Section 1.1)

On the Effective Date, Section 1.1 of the Existing Credit Agreement shall be amended as follows:

- (a) The definition of "EBITDA" in Section 1.1 of the Existing Credit Agreement shall be amended by adding the following at the end of paragraph (a) thereof:

"; plus (ix) inventory liquidation costs incurred between February 2, 2014 and April 5, 2014, not to exceed \$2,400,000, less an inventory reserve of \$900,000";
- (b) The definition of "Interest Rate" in Section 1.1 of the Existing Credit Agreement shall be amended by adding adding the following at the end thereof:

", subject to adjustment pursuant to Section 2.10(b)"; and
- (c) the definition of "Maturity Date" in Section 1.1 of the Existing Credit Agreement shall be deleted in its entirety and replaced by the following:

"“Maturity Date” means October 4, 2015”.

2.2 Amendments to Interest on Advance (Section 2.10)

On the Effective Date, Section 2.10 of the Existing Credit Agreement shall be amended by inserting the following paragraph immediately after paragraph (b) thereof:

"If the Advance has not been repaid in full on or before October 4, 2014 (the "First Interest Increase Date"), the Interest Rate shall be increased by (i) 2% (200 basis points) per annum if the Borrower elects to pay such additional interest in kind or (ii) 1.75% (175 basis points) per annum if the Borrower elects to pay such additional interest in cash (the "First Interest Increase"). The Borrower shall elect to pay the First Interest Increase in kind or in cash by written notice to the Administrative Agent on or before the First Interest Increase Date. If the Borrower fails to deliver such notice to the Administrative Agent on or before the First Interest Increase Date, the Borrower shall be deemed to have elected to pay the First Interest Increase in cash.

If the Advance has not been repaid in full on or before December 31, 2014 (the "Second Interest Increase Date"), the Interest Rate shall be increased again by (i) 1.5% (150 basis points) per annum if the Borrower elects to pay such additional interest in kind or (ii) 1.25% (125 basis points) per annum if the Borrower elects to pay such additional interest in cash (the "Second Interest Increase"). The Borrower shall elect to pay the Second Interest Increase in kind or in cash by written notice to the Administrative Agent on or before the Second Interest Increase Date. If the Borrower fails to deliver such notice to the

Administrative Agent on or before the Second Interest Increase Date, the Borrower shall be deemed to have elected to pay the Second Interest Increase in cash.

If the Borrower elects to pay the First Interest Increase and/or the Second Interest Increase in kind in accordance with this Section 2.10(b), such portion of the Interest Rate shall be capitalized and added on each applicable Interest Payment Date to the principal amount of the outstanding Advance and shall not be payable in cash. Any interest capitalized in accordance with this Section 2.10(b) shall form part of the principal amount of the outstanding Advance and shall thereafter bear interest at the Interest Rate.”

2.3 Amendments to Financial Covenants (Section 6.3)

On the Effective Date, Section 6.3 of the Existing Credit Agreement shall be deleted in its entirety and replaced by the following:

“The Borrower covenants and agrees with the Administrative Agent and the Lenders that, unless the Administrative Agent and the Required Lenders otherwise consent in writing, so long as any Obligation hereunder or under the other Loan Documents remains outstanding, the Borrower and the Guarantors:

(a) shall not, for each period set forth below, permit the EBIDTA to be less than the amount set forth below:

<u>Period:</u>	<u>Minimum EBITDA</u>
From February 2, 2014 to May 3, 2014	\$0.1 million
From February 2, 2014 to August 2, 2014	\$5.3 million
From February 2, 2014 to November 1, 2014	\$7.2 million
From February 2, 2014 to January 31, 2015	\$11.5 million
From May 4, 2014 to May 2, 2015	\$11.5 million
From August 2, 2014 to August 1, 2015	\$11.5 million

(b) shall not, as of each fiscal quarter end commencing with the fiscal quarter ending January 31, 2015, permit the Consolidated Leverage Ratio to exceed 4.60x.

For the purposes of the calculation of Senior Indebtedness and Consolidated Leverage Ratio under this Section 6.3, Indebtedness under the Revolving Credit Facility shall be the average daily revolver balance for the 90 day period immediately prior to the date of determination of the financial covenants.”

ARTICLE 3
CONDITIONS PRECEDENT

3.1 Conditions to Effectiveness

This Agreement shall become effective upon satisfaction of the following conditions precedent by the Borrower (the date on which satisfaction occurs, the "Effective Date"):

- (a) the Borrower shall have paid to the Administrative Agent an amendment fee in an amount of \$87,872;
- (b) the representations and warranties set forth in Section 5.1 of the Existing Credit Agreement shall be true and correct as of the date of this Amendment (except to the extent such representation or warranty expressly relates to an earlier date); and
- (c) no Default or Event of Default shall have occurred and be continuing.

ARTICLE 4
MISCELLANEOUS

4.1 Representations and Warranties

The Borrower hereby represents and warrant to the Lenders and the Agents that all consents, approvals and authorizations necessary for the Borrower's execution, delivery and performance of this Amendment have been obtained and hereby reaffirms the representations and warranties set forth in the Existing Credit Agreement as of the date hereof (except to the extent such representation or warranty expressly relates to an earlier date).

4.2 No other Amendments, Waivers or Consents

This Amendment is made in amendment and modification of, but not in extinguishment of, the obligations set forth in the Existing Credit Agreement and, except as specifically modified pursuant to the terms hereof, the terms and conditions of the Existing Credit Agreement remain in full force and effect. Nothing herein shall limit in any way the rights and remedies of the Lenders under the Existing Credit Agreement. The execution, delivery and performance by the parties hereto does not in any way constitute a waiver, forbearance or other indulgence with respect to any default or event of default under the Existing Credit Agreement.

4.3 Counterparts

This Amendment may be executed by the parties in separate counterparts (by original or otherwise) each of which when so executed and delivered shall be an original, but all of which, when taken together, shall together constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

GRAFTON-FRASER INC., as Borrower

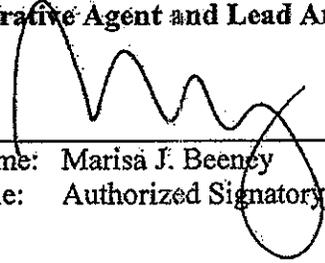
By

Name:

Title:

**GSO CAPITAL PARTNERS, LP, as
Administrative Agent and Lead Arranger**

by



Name: Marisa J. Beene

Title: Authorized Signatory

by

Name:

Title:

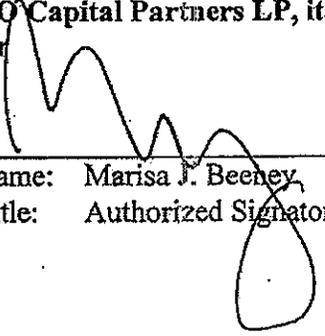
Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., as Lender**

By: **GSO Capital Partners LP, its collateral
manager**

by



Name: Marisa J. Beene

Title: Authorized Signatory

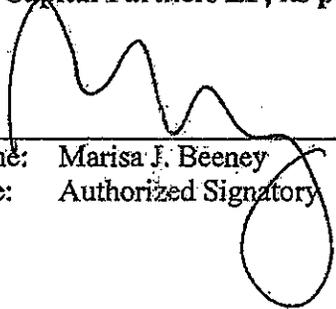
Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO OFFSHORE MULTICURRENCY
FACILITY (LUXEMBOURG) S.A.R.L., as
Lender**

**By: GSO Capital Partners LP, its portfolio
manager**

by



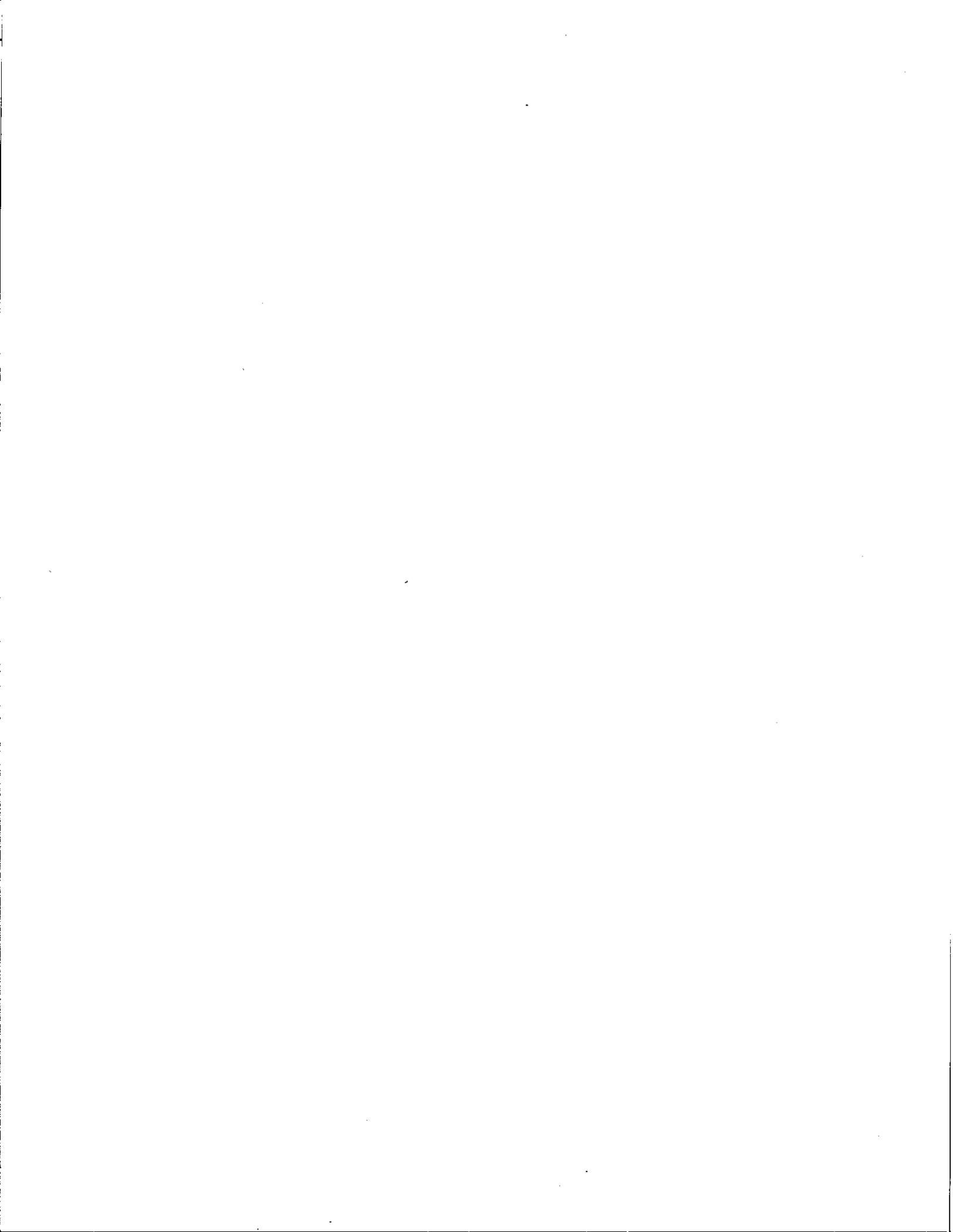
Name: Marisa J. Beeney
Title: Authorized Signatory

**OFS AGENCY SERVICES, LLC, as
Servicing Agent**

**By: Orchard First Source Capital, Inc., its
attorney in fact**

by

Name:
Title:



AMENDING AGREEMENT

THIS AGREEMENT made as of July 7th, 2015,

BETWEEN:

GRAFTON-FRASER INC., a corporation amalgamated
under the laws of the Province of Ontario, as borrower

(hereinafter referred to as the "**Borrower**"),

- and -

**THE GUARANTORS THAT ARE PARTIES TO THE
EXISTING CREDIT AGREEMENT (AS DEFINED
BELOW),**

(hereinafter referred to as the "**Guarantors**"),

- and -

**THE LENDERS THAT ARE PARTIES TO THE
EXISTING CREDIT AGREEMENT (AS DEFINED
BELOW),**

(hereinafter referred to as the "**Lenders**"),

- and -

OFS AGENCY SERVICES, LLC, a limited liability
company formed under the laws of the State of Delaware,
as Servicing Agent for the Lenders

(hereinafter referred to as the "**Servicing Agent**"),

- and -

GSO CAPITAL PARTNERS, LP, a limited partnership
formed under the laws of the State of Delaware, as
Administrative Agent and Lead Arranger,

(hereinafter referred to in its own capacity as "**GSO LP**"
and in its capacity as administrative agent on behalf of the
Lenders, as the "**Administrative Agent**").

WHEREAS GF Acquisition Corp., the predecessor by amalgamation to the Borrower, and GSO Special Situations Fund LP were parties to a credit agreement dated as of May 24, 2007 with the guarantors that may become from time to time parties thereto and the lenders that may become from time to time parties thereto (the "**Original Credit Agreement**");

AND WHEREAS on September 10, 2008, GSO Special Situations Fund LP resigned as administrative agent and lead arranger under the Original Credit Agreement and BTD CP Holdings LP (formerly known as GSO Capital Partners LP and GSO CP Holdings LP) was appointed to such positions;

AND WHEREAS on September 10, 2008, OFS Agency Services, LLC was appointed the Servicing Agent and agreed to assume certain responsibilities previously under the responsibility of the administrative agent;

AND WHEREAS on September 10, 2008, the parties entered into an amended and restated credit agreement (the "**Second Amended and Restated Credit Agreement**") to reflect the resignation and appointments referred to above and certain other amendments set forth therein;

AND WHEREAS on June 16, 2009, the parties to this Amendment entered into an amended and restated credit agreement (the "**Third Amended and Restated Credit Agreement**") to amend certain covenants of the Borrower, and on April 12, 2010, June 11, 2010, March 18, 2011, December 31, 2012 and June 17, 2014, the parties to the Third Amended and Restated Credit Agreement made further amendments to the Third Amended and Restated Credit Agreement (the Third Amended and Restated Credit Agreement and all such amendments collectively referred to herein as the "**Existing Credit Agreement**");

AND WHEREAS the parties now wish to amend the Existing Credit Agreement to amend certain definitions, terms and conditions in connection with a repayment of indebtedness;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 **Capitalized Terms**

All capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed in the Existing Credit Agreement.

ARTICLE 2
AMENDMENTS

2.1 **Amendments to Definitions (Section 1.1)**

On the Effective Date, Section 1.1 of the Existing Credit Agreement shall be amended as follows:

- (a) The definition of “**Interest Rate**” in Section 1.1 of the Existing Credit Agreement shall be deleted in its entirety and replaced by the following:

“**Interest Rate**” means 15% per annum”; and

- (b) the definition of “**Maturity Date**” in Section 1.1 of the Existing Credit Agreement shall be deleted in its entirety and replaced by the following:

“**Maturity Date**” means October 4, 2016”.

2.2 Amendments to Financial Covenants (Section 6.3)

On the Effective Date, Section 6.3 of the Existing Credit Agreement shall be deleted in its entirety and replaced by the following:

“The Borrower covenants and agrees with the Administrative Agent and the Lenders that, unless the Administrative Agent and the Required Lenders otherwise consent in writing, so long as any Obligation hereunder or under the other Loan Documents remains outstanding, the Borrower and the Guarantors:

(a) shall not, as of each fiscal quarter end, permit the EBIDTA for such fiscal quarter and previous three fiscal quarters to be less than \$10.5 million; and

(b) shall not, as of each fiscal quarter end, permit the Consolidated Leverage Ratio to exceed 4.60x.

For the purposes of the calculation of Senior Indebtedness and Consolidated Leverage Ratio under this Section 6.3, Indebtedness under the Revolving Credit Facility shall be the average daily revolver balance for the 90 day period immediately prior to the date of determination of the financial covenants.”

ARTICLE 3 CONDITIONS PRECEDENT

3.1 Conditions to Effectiveness

This Agreement shall become effective upon satisfaction of the following conditions precedent by the Borrower (the date on which satisfaction occurs, the “**Effective Date**”):

- (a) the representations and warranties set forth in Section 5.1 of the Existing Credit Agreement shall be true and correct as of the date of this Amendment (except to the extent such representation or warranty expressly relates to an earlier date); and
- (b) no Default or Event of Default shall have occurred and be continuing.

ARTICLE 4
MISCELLANEOUS

4.1 Representations and Warranties

The Borrower hereby represents and warrant to the Lenders and the Agents that all consents, approvals and authorizations necessary for the Borrower's execution, delivery and performance of this Amendment have been obtained and hereby reaffirms the representations and warranties set forth in the Existing Credit Agreement as of the date hereof (except to the extent such representation or warranty expressly relates to an earlier date).

4.2 No other Amendments, Waivers or Consents

This Amendment is made in amendment and modification of, but not in extinguishment of, the obligations set forth in the Existing Credit Agreement and, except as specifically modified pursuant to the terms hereof, the terms and conditions of the Existing Credit Agreement remain in full force and effect. Nothing herein shall limit in any way the rights and remedies of the Lenders under the Existing Credit Agreement. The execution, delivery and performance by the parties hereto does not in any way constitute a waiver, forbearance or other indulgence with respect to any default or event of default under the Existing Credit Agreement.

4.3 Counterparts

This Amendment may be executed by the parties in separate counterparts (by original or otherwise) each of which when so executed and delivered shall be an original, but all of which, when taken together, shall together constitute one and the same instrument.

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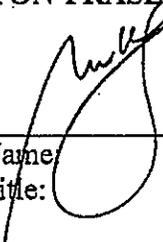
IN WITNESS WHEREOF the parties hereto have executed this Agreement.

GRAFTON-FRASER INC., as Borrower

By

Name

Title:



Mark Sun
VP and CFO.

**GSO CAPITAL PARTNERS, LP, as
Administrative Agent and Lead Arranger**

by _____

Name:

Title:

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., as Lender**

by _____

Name:

Title: A Manager

by _____

Name:

Title: B Manager

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO OFFSHORE MULTICURRENCY
FACILITY (LUXEMBOURG) S.A.R.L., as
Lender**

by _____

Name:

Title: A Manager

by _____

Name:

Title: B Manager

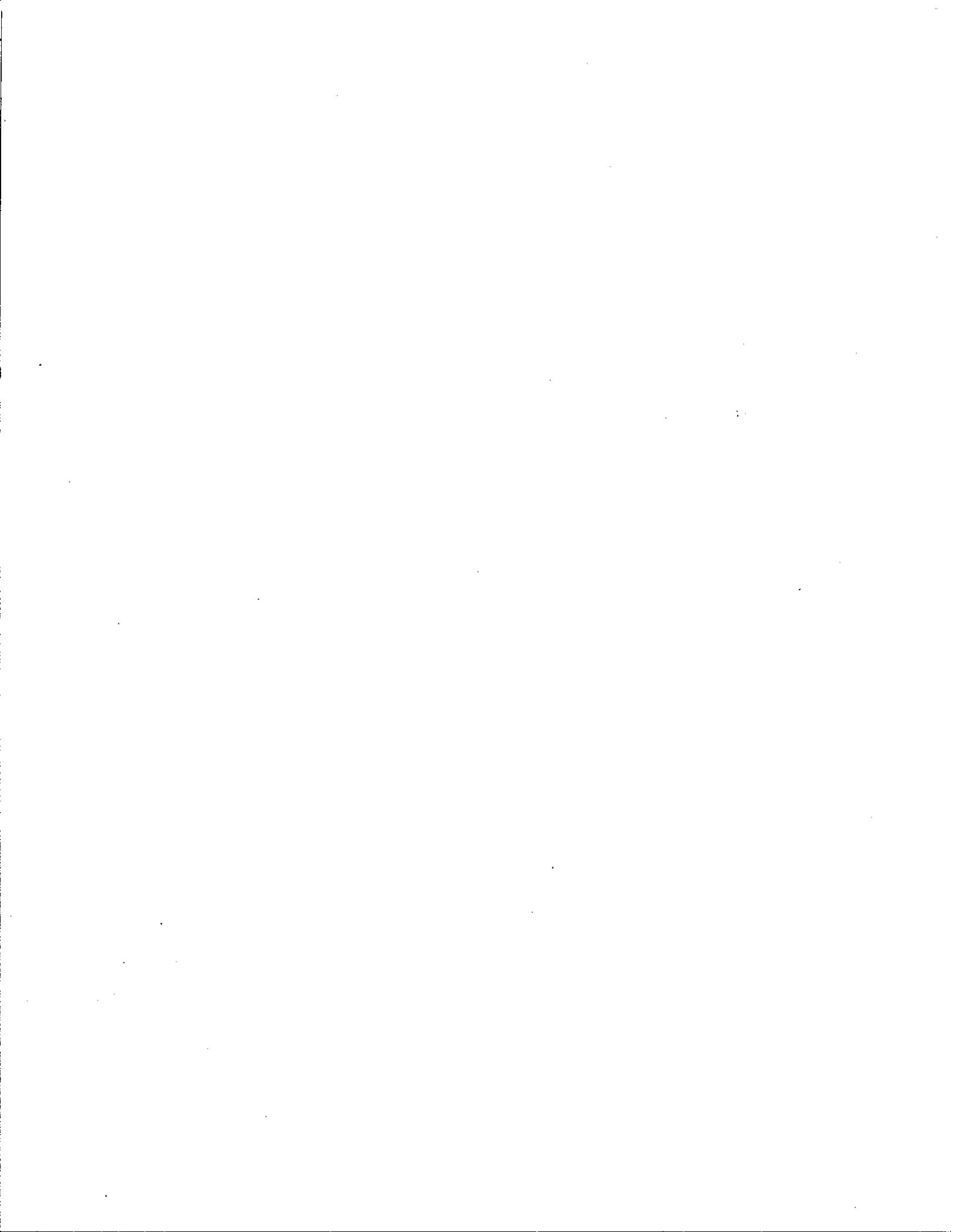
**OFS AGENCY SERVICES, LLC, as
Servicing Agent**

**By: Orchard First Source Capital, Inc., its
attorney in fact**

by _____

Name:

Title:



AMENDING AGREEMENT

THIS AGREEMENT made as of July 23, 2015,

BETWEEN:

GRAFTON-FRASER INC.,

a corporation amalgamated under the laws of the
Province of Ontario, as borrower

(hereinafter referred to as the "Borrower"),

- and -

**THE GUARANTORS THAT ARE PARTIES TO THE
EXISTING CREDIT AGREEMENT (AS
DEFINED BELOW),**

(hereinafter referred to as the "Guarantors"),

- and -

**THE LENDERS THAT ARE PARTIES TO THE
EXISTING CREDIT AGREEMENT (AS
DEFINED BELOW),**

(hereinafter referred to as the "Lenders"),

- and -

OFS AGENCY SERVICES, LLC,

a limited liability company formed under the laws
of the State of Delaware, as Servicing Agent for the
Lenders

(hereinafter referred to as the "Servicing Agent")

GSO CAPITAL PARTNERS, LP

a limited partnership formed under the laws of the
State of Delaware, as Administrative Agent and
Lead Arranger,

(hereinafter referred to in its own capacity as "GSO
LP" and in its capacity as administrative agent on
behalf of the Lenders, as the "Administrative
Agent"),

WHEREAS GF Acquisition Corp., the predecessor by amalgamation to the Borrower, and GSO Special Situations Fund LP were parties to a credit agreement dated as of May 24, 2007 with the guarantors that may become from time to time parties thereto and the lenders that may become from time to time parties thereto (the "**Original Credit Agreement**");

AND WHEREAS on September 10, 2008, GSO Special Situations Fund LP resigned as administrative agent and lead arranger under the Original Credit Agreement and BTM CP Holdings LP (formerly known as GSO Capital Partners LP and GSO CP Holdings LP) was appointed to such positions;

AND WHEREAS on September 10, 2008, OFS Agency Services, LLC was appointed the Servicing Agent and agreed to assume certain responsibilities previously under the responsibility of the administrative agent;

AND WHEREAS on September 10, 2008, the parties entered into an amended and restated credit agreement (the "**Second Amended and Restated Credit Agreement**") to reflect the resignation and appointments referred to above and certain other amendments set forth therein;

AND WHEREAS on June 16, 2009, the parties to this Amendment entered into an amended and restated credit agreement (the "**Third Amended and Restated Credit Agreement**") to amend certain covenants of the Borrower, and on April 12, 2010, June 11, 2010, March 18, 2011, December 31, 2012, June 17, 2014 and July 7, 2015, the parties to the Third Amended and Restated Credit Agreement made further amendments to the Third Amended and Restated Credit Agreement (the Third Amended and Restated Credit Agreement and all such amendments collectively referred to herein as the "**Existing Credit Agreement**");

AND WHEREAS the parties now wish to amend the Existing Credit Agreement to amend certain definitions, terms and conditions;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 **Capitalized Terms**

All capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed in the Existing Credit Agreement.

ARTICLE 2
WAIVER AND AMENDMENT

2.1 **Amendment to Definitions (Section 1.1)**

On the Effective Date, Section 1.1 of the Existing Credit Agreement shall be amended as follows:

- a) The following definition shall be added immediately after the definition of "Investments" in Section 1.1 of the Existing Credit Agreement:

""JNY Subsidiary" means 2473304 Ontario Inc. and its successors and assigns";
and

- b) The definition of "Subsidiary" in Section 1.1 of the Existing Credit Agreement shall be deleted in its entirety and replaced by the following

""Subsidiary" means, with respect to any Person, any corporation more than 50% of the Voting Securities of which at the time of determination are beneficially owned, directly or indirectly, by such Person or any corporation, joint venture, partnership or other entity which is subject to the direct or indirect Control of such Person; provided, however, that, for the purposes of this Agreement, the term "Subsidiary" shall not include the JNY Subsidiary, or any Person which is subject to the direct or indirect Control of the JNY Subsidiary".

2.2 Confirmation re: JNY Subsidiary

As of the Effective Date, the Administrative Agent, the Servicing Agent and the Lenders hereby confirm and agree that:

- a) the JNY Subsidiary is not and shall not be required, at any time, to become a Guarantor pursuant to the terms of the Existing Credit Agreement and that the representations and warranties set out in Section 5.1 of the Existing Credit Agreement and the covenants set out in Sections 6.1 and 6.2 of the Existing Credit Agreement shall not apply to the JNY Subsidiary; and
- b) unless (i) a Default or Event of Default shall have occurred and be continuing or (ii) a default or event of default under any Indebtedness of the JNY Subsidiary in the aggregate principal amount in excess of \$1,000,000 shall have occurred and be continuing, the Borrower shall have the right to make or commit to make any advance, loan, extension of credit or capital contribution to or any investment in or guarantee of, the JNY Subsidiary, or make any payments in respect thereof, up to a maximum aggregate amount of \$250,000.

2.3 Exclusion of JNY Subsidiary from Ratios

As of the Effective Date, the Administrative Agent, the Servicing Agent and the Lenders hereby confirm and agree that the Existing Credit Agreement shall be qualified as follows:

- a) For the purposes of calculating the Consolidated Leverage Ratio in Sections 6.2(a), 6.2(b) and 6.3 of the Existing Credit Agreement, the LTM EBITDA shall not include the JNY Subsidiary in its determination of EBITDA on a consolidated basis; and

- b) For the purposes of calculating the ratio of Senior Indebtedness to LTM EBITDA in Sections 6.2(g) and 6.2(h)(iv) of the Existing Credit Agreement, the JNY Subsidiary shall be excluded from the calculation of the LTM EBITDA.

ARTICLE 3
CONDITIONS PRECEDENT

3.1 **Conditions to Effectiveness**

This Amendment shall become effective upon satisfaction of the following conditions precedent by the Borrower (the date on which such satisfaction occurs, the "Effective Date"):

- (a) the representations and warranties set forth in Section 5.1 of the Existing Credit Agreement shall be true and correct as of the date of this Amendment (except to the extent such representation or warranty expressly relates to an earlier date); and
- (b) no Default or Event of Default shall have occurred and be continuing.

ARTICLE 4
MISCELLANEOUS

4.1 **Representations and Warranties**

The Borrower hereby represents and warrant to the Lenders and the Agents that all consents, approvals and authorizations necessary for the Borrower's execution, delivery and performance of this Amendment have been obtained and hereby reaffirms the representations and warranties set forth in the Existing Credit Agreement as of the date hereof (except to the extent such representation or warranty expressly relates to an earlier date).

4.2 **No other Amendments, Waivers or Consents**

This Amendment is made in amendment and modification of, but not in extinguishment of, the obligations set forth in the Existing Credit Agreement and, except as specifically modified pursuant to the terms hereof, the terms and conditions of the Existing Credit Agreement remain in full force and effect. Nothing herein shall limit in any way the rights and remedies of the Lenders under the Existing Credit Agreement. The execution, delivery and performance by the parties hereto does not in any way constitute a waiver, forbearance or other indulgence with respect to any default or event of default under the Existing Credit Agreement.

4.3 **Counterparts**

This Amendment may be executed by the parties in separate counterparts (by original or facsimile signature) each of which when so executed and delivered shall be an original, but all of which, when taken together, shall together constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

GRAFTON-FRASER INC., as Borrower

By

Name:

Title:

**GSO CAPITAL PARTNERS, LP, as
Administrative Agent and Lead Arranger**

by _____

Name:
Title:

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., as Lender**

by _____

Name:
Title: A Manager

by _____

Name:
Title: B Manager

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO OFFSHORE MULTICURRENCY
FACILITY (LUXEMBOURG) S.A.R.L., as
Lender**

by _____

Name:
Title: A Manager

by _____

Name:
Title: B Manager

**OFS AGENCY SERVICES, LLC, as
Servicing Agent**

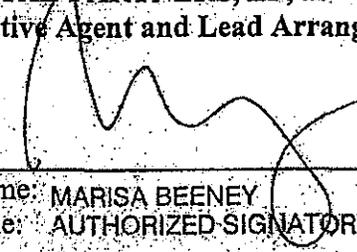
**By: Orchard First Source Capital, Inc.,
its attorney in fact**

by

Name:
Title:

**GSO CAPITAL PARTNERS, LP, as
Administrative Agent and Lead Arranger**

by


Name: MARISA BEENEY
Title: AUTHORIZED SIGNATORY

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., as Lender**

by


Name: EMMA S. FLEMING
Title: A Manager

Address:

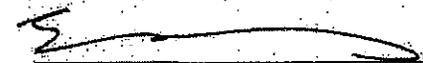
345 Park Avenue
31st Floor
New York, New York, 10154

by

Name:
Title: B Manager

**GSO OFFSHORE MULTICURRENCY
FACILITY (LUXEMBOURG) S.A.R.L., as
Lender**

by


Name: EMMA S. FLEMING
Title: A Manager

by

Name:
Title: B Manager

GSO CAPITAL PARTNERS, LP, as
Administrative Agent and Lead Arranger

by _____

Name:
Title:

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., as Lender

by _____

Name:
Title: A Manager

by _____

Name:  **Jean-Claude Koch**
Title: B Manager

Address:

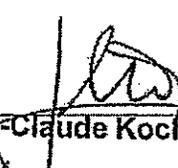
345 Park Avenue
31st Floor
New York, New York, 10154

GSO OFFSHORE MULTICURRENCY
FACILITY (LUXEMBOURG) S.A.R.L., as
Lender

by _____

Name:
Title: A Manager

by _____

Name:  **Jean-Claude Koch**
Title: B Manager

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

GRAFTON-FRASER INC., as Borrower

By



Name:
Title:

Mark G. Sun
Vice President & CFO
Grafton-Fraser Inc.



AMENDING AGREEMENT

THIS AGREEMENT made as of February 12, 2016,

BETWEEN:

GRAFTON-FRASER INC.,
a corporation amalgamated under the laws of the
Province of Ontario, as borrower

(hereinafter referred to as the "Borrower"),

- and -

**THE GUARANTORS THAT ARE PARTIES
TO THE EXISTING CREDIT AGREEMENT
(AS DEFINED BELOW),**

(hereinafter referred to as the "Guarantors"),

- and -

**THE LENDERS THAT ARE PARTIES TO
THE EXISTING CREDIT AGREEMENT (AS
DEFINED BELOW),**

(hereinafter referred to as the "Lenders"),

- and -

OFS AGENCY SERVICES, LLC,
a limited liability company formed under the laws
of the State of Delaware, as Servicing Agent for the
Lenders,

(hereinafter referred to as the "Servicing Agent")

- and -

GSO CAPITAL PARTNERS, LP
a limited partnership formed under the laws of the
State of Delaware, as Administrative Agent and
Lead Arranger,

(hereinafter referred to in its own capacity as “**GSO LP**” and in its capacity as administrative agent on behalf of the Lenders, as the “**Administrative Agent**”),

WHEREAS GF Acquisition Corp., the predecessor by amalgamation to the Borrower, and GSO Special Situations Fund LP were parties to a credit agreement dated as of May 24, 2007 with the guarantors that may become from time to time parties thereto and the lenders that may become from time to time parties thereto (the “**Original Credit Agreement**”);

AND WHEREAS on September 10, 2008, GSO Special Situations Fund LP resigned as administrative agent and lead arranger under the Original Credit Agreement and BTD CP Holdings LP (formerly known as GSO Capital Partners LP and GSO CP Holdings LP) was appointed to such positions;

AND WHEREAS on September 10, 2008, the Servicing Agent was appointed the Servicing Agent and agreed to assume certain responsibilities previously under the responsibility of the administrative agent;

AND WHEREAS on September 10, 2008, the parties entered into an amended and restated credit agreement (the “**Second Amended and Restated Credit Agreement**”) to reflect the resignation and appointments referred to above and certain other amendments set forth therein;

AND WHEREAS on June 16, 2009, the parties to this Amendment entered into an amended and restated credit agreement (the “**Third Amended and Restated Credit Agreement**”) to amend certain covenants of the Borrower, and on April 12, 2010, June 11, 2010, March 18, 2011, December 31, 2012, June 17, 2014, July 7, 2015 and July 23, 2015, the parties to the Third Amended and Restated Credit Agreement made further amendments to the Third Amended and Restated Credit Agreement (the Third Amended and Restated Credit Agreement and all such amendments collectively referred to herein as the “**Existing Credit Agreement**”);

AND WHEREAS the parties now wish to amend the Existing Credit Agreement to amend certain definitions, terms and conditions;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 **Capitalized Terms**

All capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed in the Existing Credit Agreement.

ARTICLE 2
WAIVER AND AMENDMENT

2.1 **Additional Guarantor**

As of the Effective Date, Section 2.2 of the Amending Agreement dated as of July 23, 2015 among the Borrower, the Guarantors, the Lenders and the Administrative Agent shall be deleted in its entirety and no longer be of any force or effect and the JNY Subsidiary shall become a Guarantor in accordance with the terms of the Existing Credit Agreement.

2.2 **Inclusion of JNY Subsidiary in Ratios**

As of the Effective Date, the Administrative Agent and the Lenders hereby confirm and agree as follows in respect of the Existing Credit Agreement:

- (a) for the purposes of calculating the Consolidated Leverage Ratio in Sections 6.2(a), 6.2(b) and 6.3 of the Existing Credit Agreement, the LTM EBITDA shall include the JNY Subsidiary in its determination of EBITDA on a consolidated basis; and
- (b) for the purposes of calculating the ratio of Senior Indebtedness to LTM EBITDA in Sections 6.2(g) and 6.2(h)(iv) of the Existing Credit Agreement, the JNY Subsidiary shall be included from the calculation of the LTM EBITDA.

2.3 **Quebec Security**

As of the Effective Date, Borrower, the Administrative Agent and the Lenders hereby confirm and agree that the Existing Credit Agreement is amended by adding the following provision as a new Section 12.17:

"12.17 Quebec Security

For greater certainty, and without limiting the powers of the Administrative Agent or any other Person acting as an agent or mandatary for the Administrative Agent hereunder or under any of the other Loan Documents, for the purposes of holding any hypothec granted to the Attorney (as defined below) pursuant to the laws of the Province of Québec to secure the prompt payment and performance of any and all Obligations by the Borrower or any Guarantor, each of the Lenders hereby irrevocably appoints and authorizes the Administrative Agent and, to the extent necessary, ratifies the appointment and authorization of the Administrative Agent,

to act as the hypothecary representative of the creditors as contemplated under Article 2692 of the Civil Code of Québec (in such capacity, the "Attorney"), and to enter into, to take and to hold on their behalf, and for their benefit, any hypothec, and to exercise such powers and duties that are conferred upon the Attorney under any related deed of hypothec. The Attorney shall: (a) have the sole and exclusive right and authority to exercise, except as may be otherwise specifically restricted by the terms hereof, all rights and remedies given to the Attorney pursuant to any such deed of hypothec and applicable law, and (b) benefit from and be subject to all provisions hereof with respect to the Administrative Agent *mutatis mutandis*, including, without limitation, all such provisions with respect to the liability or responsibility to and indemnification by the Lenders. Any person who becomes a Lender shall be deemed to have consented to and confirmed the Attorney as the person acting as hypothecary representative holding the aforesaid hypothecs as aforesaid and to have ratified, as of the date it becomes a Lender, all actions taken by the Attorney in such capacity. The substitution of the Administrative Agent pursuant to the provisions of this Agreement also constitute the substitution of the Attorney.

2.4 **Waiver**

Effective as of the Effective Date, the Administrative Agent and the Lenders hereby confirm their waiver of the requirement to comply with Section 6.3(b) of the Existing Credit Agreement (Consolidated Leverage Ratio) for the fiscal quarters ending on August 1st, 2015, October 31st, 2015 and January 30th, 2016.

ARTICLE 3
CONDITIONS PRECEDENT

3.1 **Conditions to Effectiveness**

This Amendment shall become effective upon satisfaction of the following conditions precedent by the Borrower (the date on which such satisfaction occurs, the "Effective Date"):

- (a) the JNY Subsidiary shall have executed and delivered a Guarantee in form and substance acceptable to the Administrative Agreement;
- (b) subject to Section 3.2, delivery of the documents contemplated by Section 7.2 of the Credit Agreement;
- (c) the representations and warranties set forth in Section 5.1 of the Existing Credit Agreement shall be true and correct as of the date of this Amendment (except to the extent such representation or warranty expressly relates to an earlier date); and
- (d) no Default or Event of Default shall have occurred and be continuing.

3.2 Post-Closing Deliveries

The Borrower agrees to cause the Guarantor to execute and deliver, within 15 Business Days of the date hereof, a deed of hypothec in form and substance satisfactory to the Administrative Agent, sufficient to create a first-ranking hypothec on all of the Guarantor's moveable property and to take all action necessary to register such hypothec in the Register of Personal and Moveable Real Rights or any other applicable public registry. In connection with the delivery of the foregoing, the Borrower will cause the Guarantor to deliver a legal opinion from counsel to the Guarantor addressed to the Administrative Agent and the Lenders, confirming the enforceability of the hypothec, the proper registration thereof and all other customary matters relating thereto, in form and substance satisfactory to the Administrative Agent, acting reasonably.

**ARTICLE 4
MISCELLANEOUS**

4.1 Representations and Warranties

The Borrower hereby represents and warrant to the Lenders and the Agents that all consents, approvals and authorizations necessary for the Borrower's execution, delivery and performance of this Amendment have been obtained and hereby reaffirms the representations and warranties set forth in the Existing Credit Agreement as of the date hereof (except to the extent such representation or warranty expressly relates to an earlier date).

4.2 No other Amendments, Waivers or Consents

This Amendment is made in amendment and modification of, but not in extinguishment of, the obligations set forth in the Existing Credit Agreement and, except as specifically modified pursuant to the terms hereof, the terms and conditions of the Existing Credit Agreement remain in full force and effect. Nothing herein shall limit in any way the rights and remedies of the Lenders under the Existing Credit Agreement. The execution, delivery and performance by the parties hereto does not in any way constitute a waiver, forbearance or other indulgence with respect to any default or event of default under the Existing Credit Agreement.

4.3 Counterparts

This Amendment may be executed by the parties in separate counterparts (by original or facsimile signature) each of which when so executed and delivered shall be an original, but all of which, when taken together, shall together constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

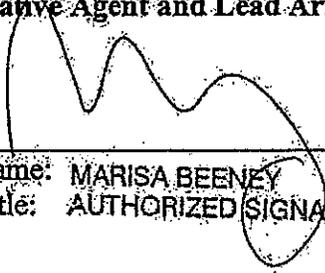
GRAFTON-FRASER INC., as Borrower

By


Name: MARK SUD
Title: VP & CFO

**GSO CAPITAL PARTNERS, LP, as
Administrative Agent and Lead Arranger**

by


Name: MARISA BEENEY
Title: AUTHORIZED SIGNATORY

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., as Lender**

by

Name:
Title: A Manager

by

Name:
Title: B Manager

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO OFFSHORE MULTICURRENCY
FACILITY (LUXEMBOURG) S.A.R.L., as
Lender**

by

Name:
Title: A Manager

by

Name:
Title: B Manager

**GSO CAPITAL PARTNERS, LP, as
Administrative Agent and Lead Arranger**

by _____

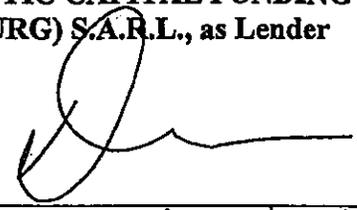
Name:
Title:

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., as Lender**

by _____


Name: Doris Lee-Silvestri
Title: A Manager

by _____

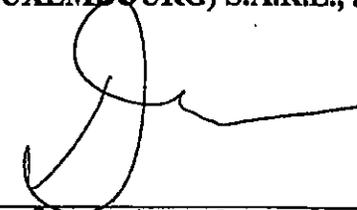
Name:
Title: B Manager

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO OFFSHORE MULTICURRENCY
FACILITY (LUXEMBOURG) S.A.R.L., as
Lender**

by _____


Name: Doris Lee-Silvestri
Title: A Manager

by _____

Name:
Title: B Manager

**GSO CAPITAL PARTNERS, LP, as
Administrative Agent and Lead Arranger**

by _____
Name:
Title:

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO DOMESTIC CAPITAL FUNDING
(LUXEMBOURG) S.A.R.L., as Lender**

by _____
Name:
Title: A Manager

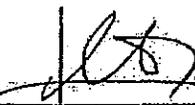
by 
Name: **Jean-Claude Koch**
Title: B Manager

Address:

345 Park Avenue
31st Floor
New York, New York, 10154

**GSO OFFSHORE MULTICURRENCY
FACILITY (LUXEMBOURG) S.A.R.L., as
Lender**

by _____
Name:
Title: A Manager

by 
Name: **Jean-Claude Koch**
Title: B Manager

OFS AGENCY SERVICES, LLC, as
Servicing Agent

By: Orchard First Source Capital, Inc., its
attorney in fact

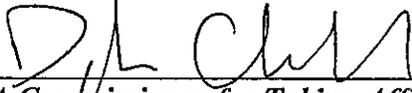
by



Name: **SEAN C. KELLEY**
Title: **DIRECTOR**

Tab F

THIS IS EXHIBIT "F"
referred to in the Affidavit of
Mark Sun sworn before me this
6th day of June 2016


A Commissioner for Taking Affidavits
Dyle Chochla

GUARANTEE AGREEMENT entered into at Toronto, Province of Ontario, as of this 12th day of February, 2016 by the undersigned (the **Guarantor**) in favour of GSO Capital Partners, LP, as administrative agent for itself and on behalf of the Lenders (as hereinafter defined) (in such capacity and any successor thereto in such capacity, the **Agent**).

WHEREAS Grafton-Fraser Inc. as borrower (the **Borrower**), the Agent, and the lenders from time to time parties thereto, as lenders (the **Lenders**) entered into an amended and restated credit agreement dated as of June 16, 2009 (as such agreement may be amended, restated, supplemented, replaced or otherwise modified from time to time, including without limitation pursuant to each of the amendments dated as of April 12, 2010, June 11, 2010, March 18, 2011, December 31, 2012, June 17, 2014, July 7, 2015, July 23, 2015 and the date hereof, the **Credit Agreement**);

AND WHEREAS, it is a requirement of the Credit Agreement that the Guarantor agree to guarantee all present and future Obligations (as defined in the Credit Agreement) owed to the Agent and the Lenders;

AND WHEREAS It is in the best interest of the Guarantor to guarantee all present and future Obligations, the whole in accordance with and subject to the terms and conditions of this Guarantee.

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto have agreed as follows:

1. INTERPRETATION

1.1 General Interpretation

Unless there be something in the subject or the context inconsistent therewith, words importing the singular only shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine gender, and *vice versa*.

1.2 Incorporation of Credit Agreement Definitions

The capitalized words and expressions used in this Guarantee or in any deed, document or instrument supplemental or ancillary hereto, unless otherwise defined herein or unless there be something in the subject or the context inconsistent therewith, shall have the same meaning as that ascribed to them at any time and from time to time in the Credit Agreement.

1.3 Headings

The headings are inserted for convenience only and do not affect the meaning or the interpretation of the present Agreement.

1.4 Governing Law

This Guarantee and the interpretation and enforcement thereof shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

1.5 Formal Notice

The Guarantor shall be *mise en demeure* by the mere lapse of time for performing its obligations or by the arrival or forfeiture of the term, or by any other cause provided by law.

1.6 Reference to this Guarantee

The expressions "hereto" or "hereunder" or "hereof" or "herein" or "this Agreement" or "this Guarantee" refer to this guarantee agreement, including all amendments, modifications and supplements and any annexes, exhibits and schedules to any of the foregoing, and shall refer to this guarantee agreement as the same may be in effect at the time such reference becomes operative.

1.7 Contract by Mutual Agreement

The provisions of this Guarantee have been freely discussed and negotiated between the parties and the rules relating to contracts of adhesion do not apply.

2. GUARANTEE AND OTHER COVENANTS

2.1 Guarantee

The Guarantor hereby unconditionally and irrevocably guarantees the prompt and complete payment (whether at stated maturity, by acceleration or otherwise) and strict performance and observance of the following obligations (hereinafter collectively referred to as the **Guaranteed Obligations**): (i) the prompt payment or performance in full, as and when due and payable, of all Obligations now or hereafter owing to the Agent or any Lender, (ii) the strict performance and observance by the Borrower and any other Guarantor (as defined in the Credit Agreement) of all agreements, warranties, representations, covenants, conditions and obligations (whether actual or contingent, whether now existing or hereafter arising, whether or not for the payment of money, and including, without limitation, any obligation or liability to pay damages) pursuant to or in connection with the Loan Documents, including, without limitation, the Credit Agreement; and (iii) the prompt payment or performance in full, as and when due and payable, of all other amounts now or hereafter owing by the Borrower and any other Guarantor (as defined in the Credit Agreement) to the Agent or any Lender pursuant to or in connection with the Loan Documents, including by way of guarantee or indemnity, whether now existing or hereafter incurred, matured or unmatured, direct, indirect or contingent, including any extensions and renewals thereof and including the payment of all amounts payable by the Guarantor hereunder and the legitimate costs (including, without limitation, all reasonable fees, charges and disbursements of counsel) that the Agent may incur to recover the obligations described hereinabove. The Guarantor expressly covenants to pay the Guaranteed Obligations to the Agent, for its benefit and the benefit of the Lenders, as of and from any demand for payment presented in accordance with the provisions of the Credit Agreement and this Guarantee. The Guarantor agrees that this Guarantee is a Guarantee of payment and performance and not of collection, and that its obligations under this Guarantee shall be absolute and unconditional.

2.2 Payment on Demand

The Guarantor shall, upon the occurrence of an Event of Default which is continuing, and upon demand by the Agent, make immediate payment to the Agent of the entire outstanding Guaranteed Obligations due and owing to the Agent or any Lender. Any such payment by a Guarantor shall be made to the Agent in immediately available funds to an account designated by the Agent or at the address set forth in the Credit Agreement for the giving of notice to the Agent or at any other address that may be specified in writing from time to time by the Agent.

In addition, each payment to be made by the Guarantor under this Guarantee shall be payable in the currency or currencies in which such Guaranteed Obligations are denominated.

2.3 Statement Constituting Prima Facie Evidence of Amount Due

Any statement prepared by the Agent shall constitute *prima facie* evidence of the amount which, as of the date of the statement so prepared, absent manifest error, is due by the Borrower or any Guarantor (as defined under the Credit Agreement) to the Agent or any Lender, including in principal and interest, pursuant to the Guaranteed Obligations.

2.4 Continuing Guarantee

This Guarantee shall be a continuing, absolute and unconditional guarantee, and it shall remain in full force and bind the Guarantor until the later of (i) indefeasible payment in full of the Guaranteed Obligations and all other amounts payable hereunder and (ii) the termination of the Lenders' obligations to advance funds under the Credit Agreement (the Termination Date).

The Guarantor hereby irrevocably renounces every right it may acquire to be released from its guarantee pursuant to Article 2366 of the *Civil Code of Québec*. The Guarantor also irrevocably renounces any rights it may acquire to be released from this Guarantee pursuant to Article 2362 of the *Civil Code of Québec*. Within 30 days of the request of the Agent or any Lender, made at any time, the Guarantor shall renew its guarantee hereunder by executing such documents for this purpose as may be requested by such person, acting reasonably.

2.5 No Release of the Guarantor

This Guarantee shall not be affected by the loss or diminution of capacity of the Borrower or any Guarantor (as defined under the Credit Agreement) or by any change in the name of any such Person, or by the acquisition of the business of the Borrower or any Guarantor (as defined under the Credit Agreement) by another Person, or by any change whatsoever in the objects, capital structure or constitution of the Borrower or any Guarantor (as defined under the Credit Agreement), or by any Borrower or any Guarantor (as defined under the Credit Agreement) or the business of any such Person being amalgamated with any other Person but shall, notwithstanding the occurrence of any such event, continue to exist and apply to the full extent as if such event had not happened.

No settlement or discharge of the Guaranteed Obligations shall be effective if any payment by any Borrower or any Guarantor (as defined under the Credit Agreement) in respect of the Guaranteed Obligations is avoided or reduced by virtue of any provisions or enactments relating to bankruptcy, insolvency, liquidation or similar laws of general application from time to time, and if such payment is so avoided or reduced, the Agent and the Lenders shall be entitled to recover the amount of such payment as if such settlement or discharge had not occurred.

2.6 Absolute Guaranteed Obligations

All payments due to the Agent or the Lenders pursuant to the terms of this Guarantee or all other provisions, conditions, covenants and agreements to be observed and executed by the Guarantor shall be made, observed and executed by the Guarantor without any reduction whatsoever including, without limitation, all reductions resulting from any means of defense, right of action, right of compensation or from a reconventional demand of whatever nature, which the Guarantor should dispose of or has disposed of, at any time against the Agent or the Lenders, in connection with this Guarantee, the Credit Agreement, the other Loan Documents or otherwise.

2.7 Imputation of Payments

Notwithstanding the provisions of Article 1572 of the *Civil Code of Québec* as well as any other legal rule concerning the imputation of payments, all sums of money received from the Guarantor or the Borrower,

shall be imputed to the payment, in principal, interest and fees, of the Guaranteed Obligations in accordance with the provisions of the Credit Agreement.

2.8 Subrogation

The Guarantor may not be subrogated in the rights of the Agent or the Lenders until the Termination Date.

2.9 Assessment of the Value of the Guarantees in the Event of a Proof of Claim

If the Agent or any Lenders have to produce a proof of claim relating to the Borrower's assets and have to assess the guarantees held by them, the Agent shall assess such value at their own discretion, acting reasonably, and the claim that they will present, as well as their assessment of such value, will neither prejudice nor restrict, by any means, the rights of the Agent or any Lenders against the Guarantor, nor reduce the Guaranteed Obligations or the obligations of the Guarantor pursuant to the terms of this Guarantee.

2.10 Additional Security

The guarantee contemplated hereunder is in addition to and not in substitution for any other guarantee given by anyone whomsoever and shall not prejudice any and all security granted to the Agent or the Lenders by anyone whomsoever, and held by it at any time whatsoever. The Agent and the Lenders shall not be bound to give a rank or marshal their security nor to apply this principle to sums of money which they shall be entitled to receive or to other assets upon which they may possess rights.

2.11 Irregularities in Borrowing of No Effect on the Guaranteed Obligations of the Guarantor

All moneys, advances, renewals and credits borrowed or actually obtained by the Guarantor from the Lenders under the Credit Agreement, and all debts and liabilities of the Guarantor under the Credit Agreement and the Loan Documents, shall be deemed valid and shall constitute part of the Guaranteed Obligations, notwithstanding any lack or limitation of status or of power, incapacity or disability of the Guarantor or the directors, partners or agents thereof, or that the Guarantor may be a legal or suable entity, or any irregularity, defect or informality in the obtaining of the said moneys, advances, renewals and credits, whether or not the Agent or any of the Lenders shall have had knowledge of same, it being expressly understood that any amount which may not be recoverable from the Guarantor as a consequence of any irregularity, defect or informality whatsoever in the principal debtors shall be recoverable from any other Guarantor (as defined in the Credit Agreement) and payable to the Agent for the account of the Lenders or itself, with interest, fees, costs and accessories, the whole as provided herein.

2.12 Renunciation to the benefits of division and discussion

The Agent and the Lenders shall not be obliged to exercise any of their recourses against the Borrower or any other Guarantor (as defined in the Credit Agreement) or against others, or to discuss any of the security which they hold or shall hold or which the Agent holds or shall hold for the benefit of the Lenders before being entitled to the payment by the Guarantor of the Guaranteed Obligations and they shall not be bound to offer or to deliver their security before the Termination Date. The Guarantor renounces to the benefits of discussion and division.

2.13 Joint and Several Liability of Codebtor

The Guarantor hereby binds itself with the Borrower as joint and several codebtor for the repayment of the Guaranteed Obligations. The obligations of the Guarantor under this Guarantee are independent of the obligations of the Borrower under the Credit Agreement or any other Loan Document and a separate

action or actions may be brought and prosecuted against the Guarantor separately or against the Guarantor and any one or more of such other guarantors jointly and severally, or against some separately and some jointly and severally, whether or not any of the Borrower or other Guarantor (as defined in the Credit Agreement) be joined in any such action or actions. The Guarantor waives, to the full extent permitted by law, the benefit of any prescription (as such term is used in the *Civil Code of Québec*) or statute of limitations affecting its liability hereunder or the enforcement thereof.

2.14 Agent may Grant Extensions of Time

The Agent without thereby releasing the Guarantor, in whole or in part, under the guarantee contemplated hereunder, may grant extensions of time, renewals, postponements and releases; it may also (i) take and give up security or abandon same, in whole or in part, (ii) abstain from taking, perfecting, registering, publishing, renewing or enforcing any security, (iii) accept arrangements or otherwise deal with the any of the Borrower and others including any guarantor, (iv) dispose of any security, (v) supplement, modify, amend, extend, renew, compromise, discharge, accelerate or otherwise change the time for payment or the terms of the Guaranteed Obligations or any part thereof, including any increase or decrease of the rate(s) of interest thereon, and (vi) amend, terminate, waive or otherwise modify any provision of the Credit Agreement or any other Loan Document. Without limiting the generality of the foregoing, the Guarantor consents to the taking of, or failure to take, any action which might in any manner or to any extent vary the risks of the Guarantor under this Guarantee or which, but for this provision, might operate as a discharge of the Guarantor.

2.15 Subordination and Postponement

The Guarantor expressly covenants and agrees that the payment of all indebtedness, principal, interest (including interest which accrues after the commencement of any case or proceeding in bankruptcy, or for the reorganization of the Borrower), fees, charges, expenses, attorneys' fees and any other sum, obligation or liability owing by the Borrower to such Guarantor, including any intercompany trade payables or royalty or licensing fees, is subordinated, to the extent and in the manner provided in the Credit Agreement, to the prior payment in full of all Guaranteed Obligations and that the subordination is for the benefit of the Agent and the Lenders, and the Agent may enforce such provisions directly. Notwithstanding the foregoing, unless and Event of Default is continuing, the Guarantor may receive and pay any indebtedness owing from time to time between the Guarantor and the Borrower and such payment and receipt shall constitute a valid discharge of the indebtedness so paid and received.

3. REPRESENTATIONS AND WARRANTIES

3.1 Incorporation by Reference

In addition to and not in substitution for any representation and warranty contained in this Guarantee, the Guarantor does hereby represent and warrant to and in favour of the Agent and the Lenders that:

- (a) **Corporate Status.** The Guarantor is a corporation duly amalgamated and validly existing under the laws of the Province of Ontario. The Guarantor has all necessary corporate power and authority to conduct its business as presently conducted and to own or lease its properties and assets in each jurisdiction where such properties and assets are situated or such business is conducted.
- (b) **Corporate Power and Authority.** The Guarantor has full corporate power and authority to enter into the Loan Documents to which it is a party, and to do all acts and things and execute and deliver all documents as are required hereunder or thereunder to be done, observed or performed by it in accordance with the terms hereof or thereof.

- (c) **Authorization and Enforceability.** This Agreement and each of the other Loan Documents to which the Guarantor is a party has been delivered by the Guarantor and constitutes a valid and legally binding obligation of the Guarantor, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally.
- (d) **Conflict with Constatng Documents and Agreements.** Neither the execution and delivery of the Loan Documents nor the consummation by the Guarantor of any of the transactions herein and therein contemplated, nor compliance by the Guarantor with the terms, conditions and provisions of the Loan Documents to which it is a party, will conflict with or result in a breach of any of the terms, conditions or provisions of:
- (i) the constating documents, certificates or articles of incorporation or by laws of the the Guarantor or any unanimous shareholders' agreement relating to it;
 - (ii) any resolution of the shareholders, directors or any committee of directors of the the Guarantor;
 - (iii) any agreement (including any Material Contract), instrument or arrangement to which the Guarantor is now a party or by which it, or its properties are, or may be, bound, or will constitute a default which could give rise to damages or the right to terminate such agreement, or will result in the creation or imposition of any Lien (other than Permitted Encumbrances) upon any of the properties or assets of the Guarantor;
 - (iv) any judgment or order, writ, injunction or decree of any court; or
 - (v) any Applicable Law.
- (e) **No Other Authorization or Consents Necessary.** No action (including, without limitation, the giving of any consent, licence, right, approval, authorization, registration, order or permit) of, or filing with, any Governmental Authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance by the Guarantor of the Loan Documents or in order to render this Guarantee and the Loan Documents legal, valid, binding or enforceable and no consents, approvals or other authorizations are required in connection with the assignment of accounts receivable pursuant to the Loan Documents except those actions which have been obtained or filings which have been made.
- (f) **No Third Party Consents.** Except for the consents and approvals that have been obtained by the Borrower or the Guarantor, no consent or approval of any other party (including, without limitation, any landlord that is party to a Lease) is required in connection with the execution, delivery and performance by the Guarantor of the Loan Documents to which it is a party in order to render this Guarantee or any of the Loan Documents to which the Guarantor is a party legal, valid, binding or enforceable against such Person except, in each case, those consents or approvals which have been obtained.

4. COVENANTS OF THE GUARANTOR

4.1 Incorporation by Reference

In addition to and not in substitution for any covenant, agreement, undertaking and condition contained in this Guarantee, the Guarantor does hereby covenant and agree with the Agent and the Lenders, that it shall comply with, and ensure the compliance of, all covenants, agreements, undertakings and conditions

given by the Borrower in the Credit Agreement and the other Loan Documents, and each such covenant, agreement, undertaking and condition is hereby incorporated by reference, *mutatis mutandis*.

5. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS

5.1 Survival

All representations, warranties, covenants, agreements, undertakings and conditions made by the Guarantor and/or the Borrower in the Loan Documents, which, if not true, accurate and complete when made and which, if not performed in accordance with the terms thereof, are material, shall be considered to have been relied on by the Agent and Lenders and shall survive the execution and delivery of this Guarantee or any investigation made at any time by or on behalf of the Agent and any disposition or payment of the Guaranteed Obligations until the Termination Date.

6. GENERAL PROVISIONS

6.1 Notices

Except as otherwise provided herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made to the party to whom such notice, request, demand or other communication is required or permitted to be given or made under this Guarantee, when delivered to such party in accordance with the provisions of the Credit Agreement.

6.2 Assignment

The rights and obligations of the Guarantor pursuant to the terms of this Guarantee are personal and consequently, shall not be assigned or transferred, such assignment being null and void from the standpoint of the Agent and the Lenders.

6.3 Renunciation

The rights and recourses of the Agent and the Lenders, pursuant to the terms of this Guarantee, shall be cumulative and not exclusive of all the rights and recourses which they should otherwise dispose of. Any omission or delay of the Agent or the Lenders in the exercise of any right, shall not constitute a renunciation to such rights. Any unique or partial exercise of any power or right shall not prohibit its subsequent exercise nor the exercise of any other power or right.

6.4 Expenses

The Guarantor agrees to pay all costs and expenses including, without limitation, reasonable legal fees incurred by the Agent and the Lenders in order to collect or have the obligations of the Guarantor respected pursuant to this Guarantee.

6.5 Severability

Any provision of this Guarantee which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof in that jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction.

6.6 Judicial Proceedings

Any judicial proceeding brought against the Guarantor with respect to any claim or dispute related to this Guarantee may be brought in any court of competent jurisdiction in the City of Toronto, Province of Ontario, and, by execution and delivery of this Guarantee, the Guarantor, to the extent permitted by law, (i) *accepts generally and unconditionally, and submits to the nonexclusive jurisdiction of such courts and any related court of appeal and irrevocably agrees to be bound by any final judgment rendered thereby in connection with any claim or dispute related to this Guarantee and (ii) irrevocably waives any objection it may now or hereafter have as to any such proceeding having been brought in such court or that such court is an inconvenient forum.* Nothing herein shall limit the right of the Agent or the Lenders to bring proceedings against the Guarantor in the courts of any other jurisdiction.

6.7 Judgment Currency

If for the purpose of obtaining judgment in any court it is necessary to convert an amount due hereunder in the currency in which it is due (the "Original Currency") into another currency (the "Second Currency"), the rate of exchange applied shall be that at which, in accordance with normal banking procedures, the Agent could purchase in the New York foreign exchange market, the Original Currency with the Second Currency on the date two (2) Business Days preceding that on which judgment is given. The Guarantor agrees that its obligation in respect of any Original Currency due from it hereunder shall, notwithstanding any judgment or payment in such other currency, be discharged only to the extent that, on the Business Day following the date the Agent receives payment of any sum so adjudged to be due hereunder in the Second Currency, the Agent may, in accordance with normal banking procedures, purchase, in the New York foreign exchange market, the Original Currency with the amount of the Second Currency so paid; and if the amount of the Original Currency so purchased or could have been so purchased is less than the amount originally due in the Original Currency, the Guarantor agrees as a separate obligation and notwithstanding any such payment or judgment to indemnify the Agent against such loss. The term "rate of exchange" in this Section 6.7 means the spot rate at which the Agent, in accordance with normal practices, is able on the relevant date to purchase the Original Currency with the Second Currency, and includes any premium and costs of exchange payable in connection with such purchase.

6.8 Acknowledgment

The Guarantor hereby acknowledges that it has received and taken cognizance of an original executed copy of the Loan Documents and is familiar with all the provisions thereof.

6.9 Paramountcy

In the event that any provisions of this Guarantee Agreement contradict and are otherwise incapable of being construed in conjunction with the provisions of the Credit Agreement, the provisions of the Credit Agreement shall take precedence over those contained in this Guarantee and, in particular, if any act of the Guarantor is expressly permitted under the Credit Agreement but is prohibited under this Guarantee, any such act shall be permitted under the Credit Agreement and shall be deemed to be permitted under this Guarantee.

6.10 Further Assurances

The Guarantor agrees, at its expense and upon the written request of the Agent, to do all such things and to execute and deliver to the Agent, from time to time, any such additional instruments or documents reasonably considered necessary by the Agent to cause this Guarantee to be, become or remain valid and effective in accordance with its terms.

6.11 Indemnity

As an original and independent obligation under this Guarantee the Guarantor shall:

(1) indemnify the Agent and each of the Lenders, and keep each of them indemnified, against all costs, losses, expenses and liabilities of whatever kind resulting from the failure by the Borrower or any other Guarantor (as defined in the Credit Agreement) to make due and punctual payment of any of the Guaranteed Obligations or resulting from any of the Guaranteed Obligations being or becoming void, voidable, unenforceable or ineffective against the Borrower or any other Guarantor (as defined in the Credit Agreement) (including, but without limitation, all legal and other costs, charges and expenses incurred by the Agent and the Lenders, or any of them, in connection with preserving or enforcing, or attempting to preserve or enforce, its rights under this Guarantee); and

(2) without duplication of the rights of the Agent or the Lenders under Section 2.1, pay on demand the amount of such costs, losses, expenses and liabilities whether or not the Agent has attempted to enforce any rights against the Borrower, any other Guarantor (as defined in the Credit Agreement) or any other Person or otherwise.

6.12 Right of Set-off

The Agent and each of the Lenders are authorized by the Guarantor at any time and from time to time and may, to the fullest extent permitted by the Credit Agreement and by law, set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Agent or the Lenders to or for the credit or the account of the Guarantor against any and all of the obligations of the Guarantor due and owing at such time irrespective of whether or not (a) the Lenders or the Agent have made any demand under this Guarantee, or (b) any of the obligations comprising the Guaranteed Obligations are contingent or unmatured. The rights of the Agent and the Lenders under this Section 6.12 are in addition and without prejudice to and are supplemental to other rights and remedies which the Agent and the Lenders may have.

6.13 Waivers, etc.

No consent or waiver by the Agent or the Lenders in connection with this Guarantee is binding unless made in writing and signed by an authorized officer of the Agent. Any consent or waiver given under this Guarantee is effective only in the specific instance and for the specific purpose for which it was given. No waiver of any of the provisions of this Guarantee constitutes a waiver of any other provision.

A failure or delay on the part of the Agent or the Lenders in exercising a right or remedy under this Guarantee or any other Loan Document does not operate as a waiver of, or impair, any rights or remedies of the Agent or the Lenders however arising. A single or partial exercise of a right or remedy on the part of the Agent or the Lenders does not preclude any other or further exercise of that right or remedy or the exercise of any other rights or remedies by the Agent or the Lenders.

6.14 Amendment

This Guarantee may only be amended, supplemented or otherwise modified by written agreement of the Agent and the Guarantor.

6.15 Counterparts

This Guarantee may be executed in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument, any party may execute this Guarantee by signing any counterpart of it and may communicate such signing by facsimile or otherwise.

6.16 Loan Document

The Guarantor acknowledges and agrees that this Guarantee shall constitute a Loan Document for purposes of the Credit Agreement.

6.17 Language

The parties hereto have expressly requested that this Guarantee and all related documents be drawn up in the English language. *À la demande expresse des parties aux présentes, cette convention et tout document y afférent ont été rédigés en langue anglaise.*

[Signature page follows]

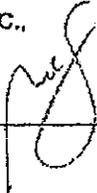
IN WITNESS WHEREOF, the Guarantor has signed this Guarantee as of the date and in the place first hereinabove mentioned.

2473304 ONTARIO INC.,
as Guarantor

Per:

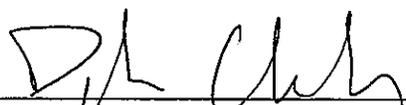
Name :

Title :


MARK SUN
VP & CFO

Tab G

THIS IS EXHIBIT "G"
referred to in the Affidavit of
Mark Sun sworn before me this
6th day of June 2016



A Commissioner for Taking Affidavits
Dylan Choche

GENERAL SECURITY AGREEMENT

TO: **GSO CAPITAL PARTNERS, LP,**
as Administrative Agent for the benefit of itself
and the lenders from time to time party to the
Credit Agreement referred to below (the "Lenders"),
345 Park Avenue, 31st Floor,
New York, New York 10154,

(hereinafter the "Administrative Agent")

GRANTED BY: **2473304 ONTARIO INC.,**

having its principal office at 388 Applewood Crescent,
Vaughan, Ontario L4K 4B4

(hereinafter the "Corporation")

SECTION 1 GRANT OF SECURITY INTEREST

1.1 Security Interest

As general and continuing security for the payment and performance of any and all indebtedness, obligations and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Corporation to the Administrative Agent and the Lenders or remaining unpaid by the Corporation to the Administrative Agent and the Lenders, wheresoever and howsoever incurred and howsoever evidenced, whether arising from dealings between the Administrative Agent and/or the Lenders and the Corporation or from other dealings or proceedings by which the Corporation may be or become in any manner indebted, obligated or liable to the Administrative Agent and/or the Lenders including, without limitation, under the Guarantee (as such term is hereinafter defined) and wherever incurred and in any currency and whether incurred by the Corporation alone or with another or others and whether as principal, guarantor or surety, and all interest, commissions, costs of realization, legal and other costs, charges and expenses (all of the foregoing being herein collectively called the "Obligations"), the Corporation, **IN CONSIDERATION OF THE OBLIGATIONS** and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby grants to the Administrative Agent a continuing security interest in, and a security interest is taken in, all of the property, assets and undertakings of the Corporation, whether now owned or hereafter-acquired by or on behalf of the Corporation, wherever located (the "Collateral"), including, without limitation, all of the Corporation's present and after acquired personal property and including, without limitation:

(a) **Accounts Receivable**

All debts, book debts, accounts, claims, demands, moneys and choses in action whatsoever including, without limitation, claims against the Crown and claims under insurance policies, which are now owned by or are due, owing or accruing due to the

Corporation or which may hereafter be owned by or become due, owing or accruing due to the Corporation together with all contracts, investment property, bills, notes, lien notes, judgments, chattel mortgages, mortgages and all other rights, benefits and documents now or hereafter taken, vested in or held by the Corporation in respect of or as security for the same and the full benefit and advantage thereof, and all rights of action or claims which the Corporation now has or may at any time hereafter have against any Person in respect thereof (all of the foregoing being herein collectively called the "**Accounts Receivable**");

(b) Inventory

All inventory of whatever kind now or hereafter owned by the Corporation or in which the Corporation now or hereinafter has an interest or right of any kind, and all accessions thereto and products thereof, including, without limitation, all goods, merchandise, raw materials, goods in process, finished goods, packaging and packing material and other tangible personal property now or hereafter held for sale, lease, rental or resale or that are to be furnished or have been furnished under a contract of service or that are to be used or consumed in the business of the Corporation (all of the foregoing being herein collectively called the "**Inventory**");

(c) Equipment

All goods now or hereafter owned by the Corporation which are not inventory or consumer goods as defined in the *Personal Property Security Act* (Ontario) or, to the extent applicable, similar legislation of any other jurisdiction, as amended from time to time (collectively, the "**PPSA**") including, without limitation, all machinery, equipment, furniture, furnishings, fixtures, and other tangible personal property (except Inventory), including motor vehicles with respect to which a certificate of title has been issued, aircraft, dies, tools, jigs, and office equipment, as well as all of such types of property leased by the Corporation and all of the Corporation's rights and interests with respect thereto under such leases (including, without limitation, options to purchase); together with all present and future additions and accessions thereto, replacements therefor, component and auxiliary parts and supplies used or to be used in connection therewith, and all substitutes for any of the foregoing, and all manuals, drawings, instructions, warranties and rights with respect thereto; wherever any of the foregoing is located (all of the foregoing being herein collectively called the "**Equipment**");

(d) Chattel Paper, Instruments, Securities etc.

All chattel paper, instruments, warehouse receipts, bills of lading and other documents of title, whether negotiable or non-negotiable, share, stock, security entitlements, warrants, bonds, debentures, debenture stock or other securities or investment property and financial assets now or hereafter owned by the Corporation;

(e) Intangibles

All intangibles now or hereafter owned by the Corporation including, without limitation, all goodwill connected with or symbolized by any of such general intangibles; all contract rights, documents, applications, licenses, materials and other matters related to

such general intangibles; all tangible property embodying or incorporating any such general intangibles; and all chattel paper and instruments relating to such general intangibles. The Collateral shall include (i) all patents, and all unpatented or unpatentable inventions; (ii) all trademarks, service marks, and trade names; (iii) all copyrights and literary rights; (iv) all computer software programs; (v) all mask works of semiconductor chip products; (vi) all trade secrets, proprietary information, customer lists, manufacturing, engineering and production plans, drawings, specifications, processes and systems (collectively, the "Intellectual Property" and, together with all of the foregoing, collectively, the "Intangibles").

(f) **Books and Accounts, etc.**

With respect to the personal property described in Paragraphs (a) to (e) inclusive, all books, accounts, invoices, deeds, documents, writings, letters, papers, security certificates and other records in any form evidencing or relating thereto and all contracts, securities, instruments and other rights and benefits in respect thereof;

(g) **Other Property**

The uncalled capital, money, rights, bills of exchange, negotiable and non negotiable instruments, judgments and securities not otherwise described in Paragraphs (a) to (f) inclusive;

(h) **Replacements, etc.**

With respect to the personal property described in Paragraphs (a) to (g) inclusive, all substitutions and replacements thereof, increases, additions and accessions thereto and any interest of the Corporation therein; and

(i) **Proceeds**

With respect to the personal property described in Paragraphs (a) to (h) inclusive, personal property in any form or fixtures derived directly or indirectly from any dealing with such property or that indemnifies or compensates for such property destroyed or damaged and proceeds of proceeds whether of the same type, class or kind as the original proceeds.

1.2 **Definitions and Interpretation**

In this General Security Agreement:

- (a) Terms used herein and defined in the PPSA shall have the same meanings as in the PPSA unless the context otherwise requires;
- (b) Capitalized terms used and not otherwise defined herein shall have the meaning ascribed to them in the Credit Agreement (as hereinafter defined);
- (c) Any reference to "Collateral" shall, unless the context otherwise requires, refer to "Collateral or any part thereof";

- (d) Any reference to the "STA" shall refer to the *Securities Transfer Act, 2006* (Ontario) or, to the extent applicable, similar legislation of any other jurisdiction, as amended from time to time;
- (e) The grant of the security interest herein provided for shall include, without limitation, a fixed mortgage, hypothecation, pledge, charge and assignment of the Collateral in favour of the Administrative Agent;
- (f) "**Borrower**" means Grafton-Fraser Inc.;
- (g) "**Credit Agreement**" shall mean the amended and restated credit agreement dated as of June 16, 2009 among, inter alia, the Administrative Agent, the lenders from time to time party thereto (the "**Lenders**") and the Borrower, as the same may be amended, supplemented, revised, replaced or restated from time to time, including without limitation pursuant to each of the amendments dated as of April 12, 2010, June 11, 2010, March 18, 2011, December 31, 2012, June 17, 2014, July 7, 2015, July 23, 2015 and the date hereof;
- (h) "**Guarantee**" shall mean the guarantee dated as of the date hereof and made by the Corporation in favour of the Administrative Agent and the Lenders, in respect of the obligations of the Borrower under the Credit Agreement, as the same may be amended, supplemented, revised, replaced or restated from time to time;
- (i) "**Registered Intellectual Property**" means any Intellectual Property in respect of which ownership, title, security interests, charges or encumbrances are from time to time registered, recorded or notated with any Governmental Authority pursuant to applicable laws;
- (j) The term "security interest" shall include, without limitation, a fixed mortgage, hypothecation, pledge, charge and assignment;
- (k) The term "purchase money security interest" shall mean a purchase money security interest granted by the Corporation under the PPSA to secure all or any part of the indebtedness incurred by the Corporation in connection with the acquisition of property (not in excess of the acquisition price of such property) or any extension or renewal or replacement of such indebtedness provided that the principal amount of such indebtedness is not increased; and
- (l) The term "encumbrance" includes, without limitation, a security interest, lien, hypothec, claim, charge, deemed trust or encumbrance of any kind whatsoever.

1.3 Exceptions

- (a) The last day of the term of any lease or sub-lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Corporation, shall be excepted from the security interest hereby granted and shall not form part of the Collateral, but the Corporation shall stand possessed of such one day remaining, upon trust to assign and dispose of the same as the Administrative Agent or any assignee of such lease, or sub-lease or agreement shall direct. If any such lease,

sub-lease or agreement therefor contains a provision which provides in effect that such lease, sub-lease or agreement may not be assigned, sub-leased, charged or encumbered without the leave, license, consent or approval of the lessor, the application of the security interest created hereby to any such lease, sub-lease or agreement shall be conditional upon such leave, license, consent or approval having been obtained.

- (b) Pursuant to this General Security Agreement:
- (i) To the extent that the creation of the security interest created hereby would constitute a breach of or default under, or permit the acceleration or termination of any agreement, right, licence or permit of the Corporation which constitutes Collateral (each, a "Restricted Asset"), the security interest created hereunder shall not attach to the Restricted Asset, but the Corporation shall, subject to paragraph (ii) below, hold its interest in the Restricted Asset in trust for the Administrative Agent and the Lenders, provided that, until the security interest created hereby has become enforceable, the Corporation shall be entitled to all proceeds arising under or in connection with the Restricted Asset.
 - (ii) To the extent that the creation of the trust in paragraph (i) above would constitute a breach or permit the acceleration or termination of any Restricted Asset, the security interest created hereunder shall not attach to the Restricted Asset, but the security interest created hereby will constitute a trust created in favour of the Administrative Agent and the Lenders pursuant to which the Corporation shall hold as trustee its interest in all proceeds arising under or in connection with the Restricted Asset in trust for the Administrative Agent and the Lenders, provided that until the security interest created hereby has become enforceable, the Corporation shall be entitled to receive all such proceeds.
 - (iii) The security interest created hereby in trademarks, trademark applications and other trademark rights shall not constitute an assignment if such assignment would impair the validity or enforceability of any such trademarks, trademark applications or other trademark rights.

1.4 Corporation Remains Liable

Notwithstanding anything herein to the contrary:

- (a) the Corporation shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all its duties and obligations thereunder to the same extent as if this General Security Agreement had not been executed;
- (b) the exercise by the Administrative Agent of any of the rights or remedies hereunder shall not release the Corporation from any of its duties or obligations under the contracts and agreements included in the Collateral; and

- (c) the Administrative Agent shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this General Security Agreement, nor shall the Administrative Agent be obligated to perform any of the obligations or duties of the Corporation thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

1.5 Attachment

The Corporation acknowledges that the security interests that arise under this General Security Agreement attach upon the execution of this General Security Agreement and that value has been given. A security interest in any after acquired property included in the Collateral attaches to that property on acquisition of any rights therein by the Corporation.

SECTION 2 REPRESENTATIONS AND WARRANTIES

The Corporation represents and warrants to and in favour of the Administrative Agent on the Closing Date and on the last date of each fiscal quarter of the Corporation:

2.1 Enforceability

This General Security Agreement constitutes a valid and legally binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, subject to:

- (a) applicable bankruptcy, insolvency, reorganization, limitations, moratorium and other laws generally affecting creditors' rights; and
- (b) equitable remedies such as injunction and specific performance which remedies are available in the discretion of a court of competent jurisdiction.

2.2 Names

The legal name, business names and all former names of the Corporation and the names of all predecessor of the Corporation are set out on Schedule 2.2 hereof as may be amended from time to time.

2.3 Jurisdiction of Incorporation and Locations of Collateral

The Corporation has been incorporated under the laws of the Province of Ontario. The tangible Collateral, except where it is in transit to and from the locations herein described and for Equipment out for repair, is located at the location specified above as the Corporation's principal office or place of business (and its chief place of business and chief executive office) and at such additional addresses as provided for on Schedule 2.3 hereof as may be amended from time to time. The location at which all records of the Corporation pertaining to Accounts Receivable (and all chattel paper which evidences Accounts Receivable) and contract rights are kept at the location specified above or such other locations as are provided for on Schedule 2.3 hereof as may be amended from time to time.

2.4 Intellectual Property

Schedule 2.4 (as may be amended from time to time) lists all Intellectual Property owned or used by the Corporation.

2.5 Survival

All representations and warranties of the Corporation made herein or in any certificate or other document delivered by or on behalf of the Corporation to the Administrative Agent are material, shall be deemed to have been relied upon by the Administrative Agent notwithstanding any investigation heretofore or hereafter made by or on behalf of the Administrative Agent, shall survive the execution and delivery of this General Security Agreement and shall continue in full force and effect without time limit.

SECTION 3 COVENANTS OF THE CORPORATION

The Corporation covenants and agrees with the Administrative Agent that so long as there shall remain any Obligations of or affecting any party to this General Security Agreement:

3.1 Payment

The Corporation will pay duly and punctually all sums of money due by it to the Administrative Agent and Lenders under this General Security Agreement at the times and places and in the manner provided for herein and the Guarantee or the Credit Agreement, as applicable, and at the times and places and in the manner provided for therein and under any other agreements forming part of the Obligations.

3.2 Credit Agreement

The Corporation acknowledges having reviewed its covenants contained in the Credit Agreement and, to the extent such covenants relate or apply to the Corporation, agrees to observe and perform all such covenants provided for in the Credit Agreement.

3.3 Notice Regarding Change of Address, etc.

The Corporation shall notify the Administrative Agent in writing:

- (a) At least 30 days prior to any change of name of the Corporation;
- (b) At least 30 days prior to any transfer of the Corporation's interest in any part of the Collateral not expressly permitted hereunder or under the Credit Agreement;
- (c) Promptly of any significant loss of or damage to Collateral;
- (d) At least 30 days prior to any change in the location(s) of the Collateral and any records relating thereto other than Equipment out for repair; and
- (e) Forthwith upon becoming aware of the existence of any condition or event which could cause or which, with the passage of time or notice, or both, constitute a

Default, give the Administrative Agent written notice thereof specifying the nature and duration thereof and the action being taken or proposed to be taken with respect thereto.

3.4 Other Financing Statements or Control

Except as otherwise permitted under the Loan Documents, the Corporation shall not (a) file, or authorize to be on file, in any jurisdiction, any financing statement or like instrument with respect to any of the Collateral in which the Administrative Agent is not named as the sole secured party, or (b) cause or permit any Person other than the Administrative Agent to have "control" (as defined in the STA) of any financial asset or investment property constituting part of the Collateral, other than "control" in favour of any depository bank or securities intermediary which has subordinated its lien to the lien of the Administrative Agent pursuant to documentation in form and substance satisfactory to the Administrative Agent. For greater certainty, to the extent the Loan Documents permit the granting or existence of a security interest in any Collateral, the filing of a financing statement or like instrument in respect thereof is also permitted. Immediately upon having knowledge that a financing statement or like instrument is or is reasonably likely to be on file in any jurisdiction with respect to any Collateral, the Corporation shall (i) immediately give written notice to the Administrative Agent of such filing or proposed filing; and (ii) take such steps as may be requested by the Administrative Agent, having regard to the Permitted Encumbrances under the Credit Agreement, with respect to such filing.

3.5 Special Provisions Relating to Pledged Securities.

(a) The Corporation will cause any and all Collateral that is a security, including the securities listed at Schedule 3.5(a) hereof (collectively, the "Pledged Securities"), to constitute at all times 100% of the total number of shares that are owned by the Corporation in such relevant issuer.

(b) So long as no Event of Default shall have occurred and be continuing, the Corporation shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Pledged Securities for all purposes not inconsistent with the terms of this Agreement, the Loan Documents or any other instrument or agreement referred to herein or therein, provided that the Corporation agrees that it will not vote the Pledged Securities in any manner that is inconsistent with the terms of this Agreement, the Loan Documents or any such other instrument or agreement. The Administrative Agent shall promptly upon the request of the Corporation execute and deliver to the Corporation or cause to be executed and delivered to the Corporation all such proxies and powers of attorney and all such instruments, without recourse, as the Corporation may reasonably request for the purpose of enabling the Corporation to exercise the rights and powers that it is entitled to exercise pursuant to this Section 3.5(b).

(c) Unless and until an Event of Default shall have occurred and be continuing, the Corporation shall be entitled to receive and retain any dividends, distributions or proceeds on the Pledged Securities (whether paid or distributed in cash, securities or other property).

(d) If an Event of Default shall have occurred and be continuing, whether or not the Administrative Agent exercises any available right to declare any Obligations due and payable or seeks or pursues any other relief or remedy available to it under applicable law or under this

General Security Agreement, the Loan Documents or any other agreement relating to such Obligation, upon notice to the Corporation, all dividends and other distributions on the Pledged Securities shall be paid directly to the Administrative Agent and retained by it as part of the Collateral, subject to the terms of this Agreement, and, if the Administrative Agent shall so request in writing, the Corporation agrees to execute and deliver to the Administrative Agent any instruments or other documents necessary or desirable to ensure that the Pledged Securities shall be paid directly to the Administrative Agent, provided that if such Event of Default is cured, any such dividend or distribution theretofore paid to the Administrative Agent shall, promptly upon request of the Corporation (except to the extent theretofore applied to the Obligations), be returned by the Administrative Agent to the Corporation.

3.6 Intellectual Property

The Corporation will promptly notify the Administrative Agent in writing of the acquisition by the Corporation of any Registered Intellectual Property. The Corporation will provide the Administrative Agent with a revised Schedule 2.4 recording the acquisition and particulars of such additional Intellectual Property.

SECTION 4 COLLECTION OF PROCEEDS

4.1 Payments to the Administrative Agent

Upon the occurrence of a Default (as defined below), the Corporation shall:

- (a) Collect and enforce payment of all Accounts Receivable (except as provided for in Section 4.2 or the Credit Agreement) and shall dispose of and receive payment for all Inventory which is ordinarily disposed of in the Corporation's business;
- (b) Receive and hold in trust for the Administrative Agent, all payments on or instruments received in respect of the Collateral, all rights by way of suretyship or guarantee which the Corporation now has or may hereafter acquire to enforce payment of Collateral and all rights in the nature of a security interest whereby the Corporation may satisfy any Collateral out of property, and all non cash proceeds of any such collection, disposition or realization of any of the Collateral shall be subject to the security interest hereby created;
- (c) Endorse to the Administrative Agent and forthwith deliver to it all such payments and instruments in the form received by the Corporation; and
- (d) Forthwith deliver to the Administrative Agent all property in the Corporation's possession or hereafter coming into its possession through enforcement of any such rights.

4.2 Account Debtor

Following the occurrence of a Default, the Administrative Agent may at any time notify or require the Corporation to notify an account debtor or debtor under any Accounts Receivable, investment property, chattel paper or Intangible of the assignment of such Accounts Receivable, investment property, chattel paper or Intangible to the Administrative Agent and require such Person to make payment to the Administrative Agent in respect of any of the Accounts

Receivable, investment property, chattel paper or Intangible, and the Administrative Agent may hold all amounts acquired or received from any such account debtors or obligors (and if any such amounts are received by the Corporation, they shall be held in trust by the Corporation for the benefit of the Administrative Agent and as promptly as possible remitted or delivered to the Administrative Agent for application as provided herein), together with income on such amounts, as part of the Collateral and as security for the Obligations.

SECTION 5 DEFAULT

5.1 Default

Without in any way limiting the demand nature of the Obligations or any of them, the Obligations secured hereby shall, in relation to the Credit Agreement in accordance with this General Security Agreement, become immediately due and payable and the security interests hereby constituted shall become enforceable in each and every of the following events (herein called a "Default"):

- (a) if the Corporation fails to make any payment of any of the Obligations when due (following the expiry of any applicable cure period as set out in the Credit Agreement); and
- (b) upon the occurrence and during the continuance of any other Event of Default, as defined in the Credit Agreement, that has not been waived by the Administrative Agent.

5.2 Demand Nature of Obligations

The Corporation agrees that the provision of defaults in Section 5.1 hereof shall not derogate from any demand nature of the Obligations as provided in the Guarantee or the Credit Agreement as at any time without restriction, whether or not the Corporation has complied with the provisions of this General Security Agreement or any other agreement or instrument between it and the Lenders or the Administrative Agent. The Corporation agrees that upon the occurrence and during the continuance of a Default under Section 5.1 hereof the security interests hereby constituted shall become enforceable and the Administrative Agent shall be entitled to exercise and enforce any or all of the remedies herein provided or which may otherwise be available to the Administrative Agent by statute at law or in equity and all amounts secured hereby shall immediately be paid to the Administrative Agent by the Corporation.

SECTION 6 REMEDIES ON DEFAULT

If the security interests hereby constituted become enforceable, the Administrative Agent shall have, in addition to any other rights, remedies and powers which it may have at law, in equity or under the PPSA, the Civil Code of Quebec (the "CCQ") or the Uniform Commercial Code (the "Code") (whether or not the CCQ or the Code applies to the affected Collateral) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including the right, to the fullest extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Administrative Agent were the sole and absolute owner

thereof (and the Corporation agrees to take all such action as may be appropriate to give effect to such right), the following rights, remedies and powers:

6.1 Power of Entry

The Corporation shall forthwith upon demand assemble and deliver to the Administrative Agent possession of all of the Collateral at such place or places as may be specified by the Administrative Agent. The Administrative Agent may take such steps as it considers necessary or desirable to obtain possession of all or any part of the Collateral and, to that end, the Corporation agrees that the Administrative Agent, its servants or agents or Receiver (as hereinafter defined) may, at any time, during the day or night, enter upon lands and premises where the Collateral may be found for the purpose of taking possession of and/or removing the Collateral or any part thereof. In the event of the Administrative Agent taking possession of the Collateral, or any part thereof, the Administrative Agent shall have the right to maintain the same upon the premises on which the Collateral may then be situate. The Administrative Agent may take such action or do such things as to render any Equipment unusable.

6.2 Power of Sale

The Administrative Agent may sell, lease or otherwise dispose of all or any part of the Collateral, as a whole or in separate parcels, by public auction, private tender or by private contract, with or without notice, except as otherwise required by applicable law, with or without advertising and without any other formality, all of which are hereby waived by the Corporation. Such sale, lease or disposition shall be on such terms and conditions as to credit and otherwise and as to upset or reserve bid or price as the Administrative Agent, in its sole discretion, may seem advantageous. If such sale, transfer or disposition is made on credit or part cash and part credit, the Administrative Agent need only credit against the Obligations the actual cash received at the time of the sale. Any payments made pursuant to any credit granted at the time of the sale shall be credited against the Obligations as they are received. The Administrative Agent may buy in or rescind or vary any contract for sale of all or any of the Collateral and may resell without being answerable for any loss occasioned thereby. Any such sale, lease or disposition may take place whether or not the Administrative Agent has taken possession of the Collateral. The Administrative Agent may, before any such sale, lease or disposition, perform any commercially reasonable repair, processing or preparation for disposition and the amount so paid or expended shall be deemed advanced to the Corporation by the Administrative Agent, shall become part of the Obligations, shall bear interest at the highest rate per annum charged by the Administrative Agent on the Obligations or any part thereof and shall be secured by this General Security Agreement.

6.3 Validity of Sale

No person dealing with the Administrative Agent or its servants shall be concerned to inquire whether the security hereby constituted has become enforceable, whether the powers which the Administrative Agent is purporting to exercise have become exercisable, whether any money remains due on the security of the Collateral, as to the necessity or expedience of the stipulations and conditions subject to which any sale, lease or disposition shall be made, otherwise as to the propriety or regularity of any sale or any other dealing by the Administrative Agent with the Collateral or to see to the application of any money paid to the Administrative Agent. In the absence of fraud on the part of such persons, such dealings shall be deemed, so far as regards the

safety and protection of such person, to be within the powers hereby conferred and to be valid and effective accordingly.

6.4 Receiver-Manager

The Administrative Agent may, in addition to any other rights it may have, appoint by instrument in writing a receiver or receiver and manager (both of which are herein called a "Receiver") of all or any part of the Collateral or may institute proceedings in any court of competent jurisdiction for the appointment of such a Receiver. Any such Receiver is hereby given and shall have the same powers and rights and exclusions and limitations of liability as the Administrative Agent has under this General Security Agreement, at law or in equity. In exercising any such powers, any such Receiver shall, to the extent permitted by law, act as and for all purposes shall be deemed to be the agent of the Corporation and the Administrative Agent shall not be responsible for any act or default of any such Receiver. The Administrative Agent may appoint one or more Receivers hereunder and may remove any such Receiver or Receivers and appoint another or others in his or their stead from time to time. Any Receiver so appointed may be an officer or employee of the Administrative Agent. A court need not appoint, ratify the appointment by the Administrative Agent of or otherwise supervise in any manner the actions of any Receiver. Upon the Corporation receiving notice from the Administrative Agent of the taking of possession of the Collateral or the appointment of a Receiver, all powers, functions, rights and privileges of each of the directors and officers of the Corporation with respect to the Collateral shall cease, unless specifically continued by the written consent of the Administrative Agent.

6.5 Carrying on Business

The Administrative Agent may carry on, or concur in the carrying on of, all or any part of the business or undertaking of the Corporation, may, to the exclusion of all others, including the Corporation, enter upon, occupy and use all or any of the premises, buildings, plant and undertaking of or occupied or used by the Corporation and may use all or any of the tools, machinery, equipment and intangibles of the Corporation for such time as the Administrative Agent sees fit, free of charge, to carry on the business of the Corporation and, if applicable, to manufacture or complete the manufacture of any Inventory and to pack and ship the finished product.

6.6 Dealing with Collateral

(a) The Administrative Agent may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with the Collateral or any part thereof in such manner, upon such terms and conditions and at such time or times as may seem to it advisable, all of which without notice to the Corporation except as otherwise required by any applicable law. The Administrative Agent may, but shall not be obligated to, in its name or in the name of the Corporation or otherwise, demand, sue for, collect and receive any Collateral and with or without notice to the Corporation, give such receipts, discharges and extensions of time and make such compromises or settlements deemed desirable with respect to any of the Collateral. The Administrative Agent may charge on its own behalf and pay to others, sums for costs and expenses incurred including, without limitation, legal fees and expenses on a solicitor and his own client scale and Receivers' and accounting fees, in or in connection with seizing, collecting, realizing, disposing, enforcing or otherwise dealing with the Collateral and in connection with

the protection and enforcement of the rights of the Administrative Agent hereunder including, without limitation, in connection with advice with respect to any of the foregoing. The amount of such sums shall be deemed advanced to the Corporation by the Administrative Agent, shall become part of the Obligations, shall bear interest at the highest rate per annum charged by the Administrative Agent on the Obligations or any part thereof and shall be secured by this General Security Agreement.

(b) Without limitation to the foregoing, the Administrative Agent may require the Corporation to cause any Collateral that is investment property to be transferred of record into the name of the Administrative Agent or its nominee (and the Administrative Agent agrees that if any such investment property is transferred into its name or the name of its nominee, the Administrative Agent will thereafter promptly give to the Corporation copies of any notices and communications received by it with respect to investment property). The Administrative Agent may exercise any and all rights, privileges, entitlements and options pertaining to any Collateral that is investment property as if the Administrative Agent were the absolute owner of such investment property.

(c) To the extent that applicable law imposes duties on the Administrative Agent to exercise remedies in a commercially reasonable manner, and without prejudice to the ability of the Administrative Agent to dispose of the Collateral in any such manner, the Corporation acknowledges and agrees that it is not commercially unreasonable for the Administrative Agent (i) to incur expenses reasonably deemed significant by the Administrative Agent to prepare the Collateral for disposition, (ii) to fail to obtain third party consents for access to the Collateral to be disposed of, (iii) to fail to exercise collection remedies against account debtors obligated on the Collateral or to remove Liens against the Collateral, (iv) to exercise collection remedies against the Corporation directly or through the use of collection agencies, (v) to dispose of Collateral by way of public auction, public tender or private contract, with or without advertising and without any other formality, (vi) to contact other Persons, whether or not in the same business of the Corporation, for expressions of interest in acquiring all or any portion of the Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of the Collateral, whether or not the Collateral is of a specialized nature or an upset or reserve bid or price is established, and (viii) to dispose of Collateral in whole or in part.

(d) The Administrative Agent is authorized, in connection with any offer or sale of any Pledged Securities or any Collateral that is a security entitlement ("**Security Entitlements**"), to comply with any limitation or restriction as it may be advised by counsel is necessary to comply with applicable law, including compliance with procedures that may restrict the number of prospective bidders and purchasers, requiring that prospective bidders and purchasers have certain qualifications, and restricting prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account or investment and not with a view to the distribution or resale of such Pledged Securities or Security Entitlements. The Corporation further agrees that compliance with any such limitation or restriction will not result in a sale being considered or deemed not to have been made in a commercially reasonable manner, and the Administrative Agent will not be liable or accountable to the Corporation for any discount allowed by reason of the fact that such Pledged Securities or Security Entitlements are sold in compliance with any such limitation or restriction. If the Administrative Agent chooses to exercise its right to sell any or all Pledged Securities or Security Entitlements, upon written request, the Corporation will cause each applicable issuer to furnish to the Administrative

Agent all such information as the Administrative Agent may request in order to determine the number of shares and other instruments included in the Collateral which may be sold by the Administrative Agent in exempt transactions under any laws governing securities, and the rules and regulations of any applicable securities regulatory thereunder, as the same are from time to time in effect.

(e) The Corporation agrees that to the extent the Administrative Agent is required by applicable law to give reasonable prior notice of any sale or other disposition of any Collateral, fifteen (15) days' notice shall be deemed to constitute reasonable prior notice.

6.7 Right to Use

(a) To the extent not expressly prohibited by any agreement to which the Corporation is a party, the Corporation hereby grants to the Administrative Agent an irrevocable, non exclusive license (exercisable without payment of royalty or other compensation to the Corporation) (each a "**Granted Licence**") to use, assign, license or sublicense all of the Corporation's present and future property, whether real or personal, including, without limitation, labels, Intellectual Property and advertising matter, or any other property of any nature or of a similar nature, and reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof, as it pertains to the Collateral, in completing production of, advertising for sale, and selling of any Collateral and the Corporation's rights under all licenses and all franchise agreements shall inure to the Administrative Agent.

(b) To the extent that the Corporation is expressly prohibited by any agreement to which it is a party from granting a Granted Licence, the Corporation shall hold its interest in the right to use, assign, license or sublicense the property in respect of which the grant of a Granted Licence is expressly prohibited, in trust for the Lender.

6.8 Retention of Collateral

Upon notice to the Corporation and subject to any obligation to dispose of any of the Collateral, as provided in the PPSA, the Lenders or the Administrative Agent may elect to retain all or any part of the Collateral in satisfaction of the Obligations or any of them.

6.9 Pay Encumbrances

The Administrative Agent may pay any encumbrance that may exist or be threatened against the Collateral. In addition, the Administrative Agent may borrow money required for the maintenance, preservation or protection of the Collateral or for the carrying on of the business or undertaking of the Corporation and may grant further security interests in the Collateral in priority to the security interest created hereby as security for the money so borrowed. In every such case the amounts so paid or borrowed together with costs, charges and expenses incurred in connection therewith shall be deemed to have been advanced to the Corporation by the Administrative Agent, shall become part of the Obligations, shall bear interest at the highest rate per annum charged by the Administrative Agent on the Obligations or any part thereof and shall be secured by this General Security Agreement.

6.10 Application of Payments Against Obligations

Any and all payments made in respect of the Obligations from time to time and moneys realized on the Collateral may be applied to such part or parts of the Obligations as the Administrative Agent may see fit. The Administrative Agent shall, at all times and from time to time, have the right to change any appropriation as it may see fit. Any insurance monies received by the Administrative Agent pursuant to this General Security Agreement may, at the option of the Administrative Agent, be applied to rebuilding or repairing the Collateral or be applied against the Obligations in accordance with the provisions of this Section.

6.11 Set-Off

The Obligations will be paid by the Corporation without regard to any equities between the Corporation and the Administrative Agent or any Lender or any right of set-off or cross-claim. Any indebtedness owing by the Administrative Agent or any Lender to the Corporation may be set off and applied by the Administrative Agent against the Obligations at any time or from time to time either before or after maturity, without demand upon or notice to anyone.

6.12 Deficiency

If the proceeds of the realization of the Collateral are insufficient to repay the Administrative Agent and the Lenders all monies due to them, the Corporation shall forthwith pay or cause to be paid to the Administrative Agent and the Lenders such deficiency.

6.13 Administrative Agent Not Liable

Neither the Administrative Agent nor any Lender shall be liable or accountable for any failure to seize, collect, realize, dispose of, enforce or otherwise deal with the Collateral, shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Administrative Agent or any Lender, the Corporation or any other Person in respect of the Collateral nor shall any of the Administrative Agent or any Lender be liable or responsible for any loss, cost or damage whatsoever which may arise in respect of any such failure, including, without limitation, any loss, cost or damage resulting from the negligence of the Administrative Agent or any Lender or any of their officers, servants, partners, employees, agents, solicitors, attorneys, Receivers or otherwise but excluding any loss, cost or damage resulting from the gross negligence or wilful misconduct of the Administrative Agent or any Lender. Neither the Administrative Agent or any Lender nor any of their partners, officers, employees, servants, agents, or Receivers shall be liable by reason of any entry into possession of the Collateral or any part thereof, to account as a mortgagee in possession, for anything except actual receipts, for any loss on realization, for any act or omission for which a mortgagee in possession might be liable, for any negligence (other than gross negligence) in the carrying on or occupation of the business or undertaking of the Corporation as provided in Section 6.5 or for any loss, cost, damage or expense whatsoever which may arise in respect of any such actions, omissions or negligence, except for any such actions, omissions or negligence that constitute gross negligence or wilful misconduct.

6.14 Extensions of Time

The Administrative Agent may grant renewals, extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, perfect or fail to perfect any securities, release any part of the Collateral to third parties and otherwise deal or fail to deal with the Corporation, Subsidiaries of the Corporation, guarantors, sureties and others and with the Collateral and other securities as the Administrative Agent may see fit, all without prejudice to the liability of the Corporation to the Administrative Agent or any Lender or the Administrative Agent's rights and powers of the Administrative Agent or any Lender under this General Security Agreement.

6.15 Rights in Addition

The rights and powers conferred by this Section 6 are in supplement of and in addition to and not in substitution for any other rights or powers the Administrative Agent or any Lender may have from time to time under this General Security Agreement or under applicable law. The Administrative Agent may proceed by way of any action, suit, remedy or other proceeding at law or in equity and no such remedy for the enforcement of the rights of the Administrative Agent shall be exclusive of or dependent on any other such remedy. Any one or more of such remedies may from time to time be exercised separately or in combination. The Corporation recognizes that if it fails to perform or observe its obligations hereunder, no remedy at law will provide adequate relief to the Administrative Agent, and the Corporation agrees that the Administrative Agent shall be entitled to seek temporary and permanent injunctive relief in any such case without the necessity of proving irreparable harm.

SECTION 7 DEALING WITH COLLATERAL BY THE CORPORATION

7.1 Sale of Inventory

Prior to the occurrence of a Default that is continuing, the Corporation shall be entitled to deal with the Collateral in the ordinary course of business, provided that no such action shall be taken which would impair the validity, effectiveness, perfection or priority of the security interest created by this General Security Agreement or which would result in a Default. For greater certainty, the Corporation may, in the ordinary course of its business and on customary trade terms, lease or sell items of Inventory, so that the purchaser thereof takes title clear of the security interest hereby created. If such sale or lease results in an Account Receivable, such Account Receivable shall be subject to the security interest hereby created.

SECTION 8 GENERAL

8.1 Security in Addition

The security hereby constituted is not in substitution for any other security for the Obligations or for any other agreement between the parties creating a security interest in all or part of the Collateral, whether heretofore or hereafter made, and such security and such agreements shall be deemed to be continued and not affected hereby unless expressly provided to the contrary in writing and signed by the Administrative Agent and the Corporation. The taking of any action or proceedings or refraining from so doing, or any other dealing with any other security for the

Obligations or any part thereof, shall not release or affect the security interest created by this General Security Agreement and the taking of the security interest hereby created or any proceedings hereunder for the realization of the security interest hereby created shall not release or affect any other security held by the Administrative Agent for the repayment of or performance of the Obligations.

8.2 Waiver

Any waiver of a breach by the Corporation of any of the terms or provisions of this General Security Agreement or of a Default under Section 5.1 hereof must be in writing to be effective against and bind the Administrative Agent. No such waiver by the Administrative Agent shall extend to or be taken in any manner to affect any subsequent breach or Default or the rights of the Administrative Agent arising therefrom.

8.3 Further Assurances

The Corporation shall at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all and singular every such further acts, deeds, conveyances, instruments, transfers, assignments, security agreements and assurances as the Administrative Agent may reasonably require in order to give effect to the provisions and purposes of this General Security Agreement including, without limitation, in respect of the Administrative Agent's enforcement of the security and its realization on the Collateral, and for the better granting, transferring, assigning, charging, setting over, assuring, confirming and/or perfecting the security interest of the Administrative Agent in the Collateral pursuant to this General Security Agreement. Effective upon the occurrence and during the continuance of a Default, the Corporation hereby constitutes and appoints any officer of the Administrative Agent at its above address, or any Receiver appointed by the court or the Administrative Agent as provided herein, the true and lawful attorney of the Corporation irrevocably with full power of substitution to do, make and execute all such assignments, documents, acts, matters or things with the right to use the name of the Corporation whenever and wherever it may be deemed necessary or expedient in connection with the exercise of its rights and remedies set forth in this General Security Agreement. Without limiting the generality of the foregoing, so long as the Administrative Agent shall be entitled under Section 6 to make collections in respect of the Collateral, the Administrative Agent shall have the right and power to receive, endorse and collect all cheques payable to the order of the Corporation representing any dividend, payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same. The Corporation hereby authorizes the Administrative Agent to file such proofs of claim and other documents as may be necessary or advisable in order to prove its claim in any bankruptcy, proposed winding-up or other proceeding relating to the Corporation.

Without limiting the generality of the foregoing, the Corporation:

- (a) shall mark conspicuously each item of chattel paper and each related contract and, at the request of the Administrative Agent, each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to the Administrative Agent, indicating that such chattel paper, related contract or Collateral is subject to the security interest granted hereby;

- (b) shall, if any Accounts Receivable shall be evidenced by a promissory note or other instrument or chattel paper, deliver and pledge to the Lender hereunder such note, instrument or chattel paper duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Lender;
- (c) shall give, execute, deliver, file, record, authorize or obtain all such financing statements, continuation statements, notices, instruments, documents, agreements, consents, or other papers or amendments thereto, and other such instruments or notices, as may be necessary or desirable, or as the Administrative Agent may request, in order to create, preserve, perfect, maintain the perfection of or validate the security interest granted or purported to be granted hereby, or to enable the Administrative Agent to exercise and enforce its rights hereunder with respect to such security interest and, without limiting the foregoing, shall:
 - (i) deliver and pledge to the Administrative Agent any and all chattel paper representing Collateral duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Administrative Agent;
 - (ii) deliver to the Administrative Agent any and all certificates representing Collateral that is a certificated security (the "Pledged Certificated Securities") and other materials as may be required from time to time to provide the Administrative Agent with control over all Pledged Certificated Securities in the manner provided under Section 23 of the STA, and at the request of the Administrative Agent, will cause all Pledged Certificated Securities to be registered in the name of the Administrative Agent or its nominee;
 - (iii) deliver to the Administrative Agent any and all such documents, agreements and other materials as may be required from time to time to provide the Administrative Agent with control over all Collateral that is an uncertificated security in the manner provided under Section 24 of the STA;
 - (iv) deliver to the Administrative Agent any and all such documents, agreements and other materials as may be required from time to time to provide the Administrative Agent with control over all Collateral that is a security entitlement in the manner provided under Section 25 or 26 of the STA;
 - (v) deliver to the Administrative Agent any and all such documents, agreements and other materials as may be required from time to time to provide the Administrative Agent with control over all Collateral that is a futures contract in the manner provided under subsection 1(2) of the PPSA;
 - (vi) promptly from time to time upon request by the Administrative Agent enter into such control agreements, each in form and substance reasonably

acceptable to the Administrative Agent, as may be required to perfect the security interest created hereby in any and all investment property, and will promptly furnish to the Administrative Agent true and complete copies thereof;

- (vii) promptly from time to time upon the request of the Administrative Agent, execute and deliver such short-form security agreements as the Administrative Agent may reasonably deem necessary or desirable to protect the interests of the Administrative Agent in respect of that portion of the Collateral consisting of Intellectual Property;
 - (viii) promptly upon request of the Administrative Agent, with respect to any securities issued by an issuer that is organized outside of Canada, cause to be delivered to the Administrative Agent a securities pledge agreement covering such securities; and
 - (ix) keep full and accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Administrative Agent may reasonably require in order to reflect the security interests granted by this Agreement.
- (d) hereby authorizes the Administrative Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of the Corporation, where permitted by law; and
- (e) shall furnish to the Administrative Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Administrative Agent may request, all in reasonable detail.

8.4 No Merger

Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liability of the Corporation to make payment of or satisfy the Obligations. The acceptance of any payment or alternate security shall not constitute or create any novation and the taking of a judgment or judgments under any of the covenants herein contained shall not operate as a merger of such covenants.

8.5 Notices

All notices, requests, demands or other communications to or from the parties hereto shall be in writing and shall be given by overnight delivery service, by hand delivery or by telecopy to the addressee as follows:

- (i) If to the Corporation:
2473304 Ontario Inc.
388 Applewood Crescent

Vaughan, Ontario
L4K 4B4

Attention: Mark Sun
Phone: (416) 780-2163
e-mail: msun@grafftonfraser.com

(ii) If to the Administrative Agent:

GSO Capital Partners, LP
345 Park Avenue, 31st Floor
New York, New York 10154

Attention: Louis Salvatore and Matthew Bass
Facsimile: (212) 503-6921

or at such other address or to such other individual as the Corporation may designate by notice to the Administrative Agent or the Administrative Agent may designate by notice to the Corporation. If any notice, request, demand or other communication is delivered or transmitted on a day other than a Business Day or after 3:00 p.m. on any Business Day, the same shall be deemed to have been effectively given and received on the next following Business Day.

8.6 Continuing Security Interest and Discharge

This General Security Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until payment and performance in full of the Obligations and the termination of the Credit Agreement, notwithstanding any dealing between the Administrative Agent and the Corporation in respect of the Obligations or any release, exchange, non-perfection, amendment, waiver, consent or departure from or in respect of any or all of the terms or provision of any security held for the Obligations.

If the Corporation pays to the Lenders and the Administrative Agent the Obligations secured by this General Security Agreement and otherwise observes and performs the terms and conditions hereof, then the Administrative Agent shall at the request and at the expense of the Corporation release and discharge the security interest created hereby and execute and deliver to the Corporation such deeds and other instruments as shall be requisite therefor.

8.7 Governing Law

This General Security Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, except as required by mandatory provisions of law and except to the extent that the validity or perfection of the security interests hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the Province of Ontario.

ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE PROVINCE OF ONTARIO OR OF THE FEDERAL COURTS OF CANADA THEREIN, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE CORPORATION CONSENTS, FOR ITSELF AND IN RESPECT

OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE CORPORATION IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION OR ANY OTHER JURISDICTION SELECTED BY THE LENDER IN RESPECT OF THIS AGREEMENT. THE CORPORATION WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF ONTARIO.

The parties hereto hereby waive trial by jury in any action, proceeding, claim or counterclaim, whether in contract or tort, at law or in equity with respect to, in connection with, or arising out of this General Security Agreement, other financing agreements, the obligations of the Borrowers and the Corporation, the Collateral, or any instrument, document or guarantee delivered pursuant hereto or to any of the foregoing, or the validity, protection, interpretation, administration, collection or enforcement hereof or thereof, or any other claim or dispute hereunder or thereunder. The Corporation agrees that it will not assert against the Administrative Agent any claim for consequential, incidental, special, or punitive damages in connection with this General Security Agreement or the transactions contemplated hereby or thereby. *No officer of the Administrative Agent has authority to waive, condition, or modify this provision.*

8.8 Security Interest Effective Immediately

Neither the execution or registration of this General Security Agreement or any partial advances by the Administrative Agent shall bind the Administrative Agent to advance any other amounts to the Corporation. The parties intend the security interest created hereby to attach and take effect forthwith upon execution of this General Security Agreement by the Corporation and the Corporation acknowledges that value has been given and that the Corporation has rights in the Collateral.

8.9 No Collateral Warranties

There is no representation, warranty or collateral agreement affecting this General Security Agreement or the Collateral, other than as expressed herein in writing.

8.10 Joint and Several Liability

If more than one Person executes this General Security Agreement as guarantor, their obligations under this General Security Agreement shall be joint and several.

8.11 Provisions Reasonable

The Corporation expressly acknowledges and agrees that the provisions of this General Security Agreement and, in particular, those respecting remedies and powers of the Lenders and the Administrative Agent against the Corporation, its business and the Collateral upon default, are commercially reasonable and not manifestly unreasonable.

8.12 Number and Gender

In this General Security Agreement, words importing the singular number include the plural and vice-versa and words importing gender include all genders.

8.13 Invalidity

In the event that any term or provision of this General Security Agreement shall, to any extent, be invalid or unenforceable, the remaining terms and provisions of this General Security Agreement shall be unaffected thereby and shall be valid and enforceable to the fullest extent permitted by law.

8.14 Precedence

In the event that any provisions of this General Security Agreement contradict, are inconsistent with and are otherwise incapable of being construed in conjunction with the provisions (including any rights, remedies and covenants therein) of the Credit Agreement, the provisions of the Credit Agreement, as applicable, shall take precedence over those contained in this General Security Agreement and, in particular, if any act of the Corporation is expressly permitted under the Credit Agreement but is prohibited under this General Security Agreement, any such act shall be deemed to be permitted under this General Security Agreement.

8.15 Judgement Currency

If for the purpose of obtaining judgment in any court it is necessary to convert an amount due hereunder in the currency in which it is due (the "**Original Currency**") into another currency (the "**Second Currency**"), the rate of exchange applied shall be that at which, in accordance with normal banking procedures, the Administrative Agent could purchase in the New York foreign exchange market, the Original Currency with the Second Currency on the date two (2) Business Days preceding that on which judgment is given. The Corporation agrees that its obligation in respect of any Original Currency due from it hereunder shall, notwithstanding any judgment or payment in such other currency, be discharged only to the extent that, on the Business Day following the date the Administrative Agent receives payment of any sum so adjudged to be due hereunder in the Second Currency, the Administrative Agent may, in accordance with normal banking procedures, purchase, in the New York foreign exchange market, the Original Currency with the amount of the Second Currency so paid; and if the amount of the Original Currency so purchased or could have been so purchased is less than the amount originally due in the Original Currency, the Corporation agrees as a separate obligation and notwithstanding any such payment or judgment to indemnify the Administrative Agent against such loss. The term "rate of exchange" in this Section 8.15 means the spot rate at which the Administrative Agent, in accordance with normal practices, is able on the relevant date to purchase the Original Currency with the Second Currency, and includes any premium and costs of exchange payable in connection with such purchase.

8.16 Sections and Headings

The division of this General Security Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

8.17 Receipt of Copy

The Corporation acknowledges receipt of an executed copy of this General Security Agreement.

8.18 Assignment

The obligations of the Corporation under this General Security Agreement are not assignable to any other Person without the prior written consent of the Administrative Agent. The Administrative Agent may, at any time, assign or transfer all or any of its rights and benefits hereunder to one or more Persons without the prior written consent of, but on notice to, the Corporation.

8.19 Binding Effect

All rights of the Lenders and the Administrative Agent hereunder shall enure to the benefit of its successors and assigns and all obligations of the Corporation hereunder shall bind the Corporation and its successors and permitted assigns.

8.20 Intercreditor Agreement

The Administrative Agent and the Corporation acknowledge that the exercise of certain of the Administrative Agent's rights and remedies and the Corporation's obligations hereunder may be subject to, and restricted by, the provisions of the Intercreditor Agreement.

8.21 Loan Document

The parties hereto acknowledges and agrees that this Agreement shall constitute a Loan Document for purposes of the Credit Agreement.

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The parties hereto acknowledge that they have requested and are satisfied that the foregoing, as well as all notices, actions and legal proceedings be drawn up in the English language.

Les parties à cette convention reconnaissent qu'elles ont exigé que ce qui précède ainsi que tous avis, actions et procédures légales soient rédigés et exécutés en anglais et s'en déclarent satisfaites.

IN WITNESS WHEREOF the Corporation has duly executed this General Security Agreement as of this 12 day of February, 2016.

2473304 ONTARIO INC.

Per: _____

Name:

Title:


MARK SUN
VP & CFO

Per: _____

Name:

Title:

**GSO CAPITAL PARTNERS, LP, as
Administrative Agent**

Per: _____

Name:

Title:

The parties hereto acknowledge that they have requested and are satisfied that the foregoing, as well as all notices, actions and legal proceedings be drawn up in the English language.

Les parties à cette convention reconnaissent qu'elles ont exigé que ce qui précède ainsi que tous avis, actions et procédures légales soient rédigés et exécutés en anglais et s'en déclarent satisfaites.

IN WITNESS WHEREOF the Corporation has duly executed this General Security Agreement as of this 12 day of February, 2016.

2473304 ONTARIO INC.

Per: _____

Name:

Title:

Per: _____

Name:

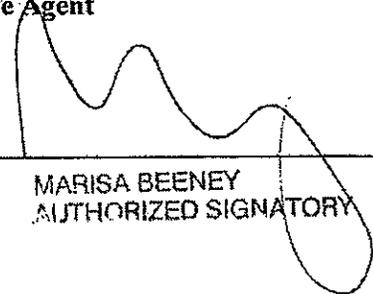
Title:

**GSO CAPITAL PARTNERS, LP, as
Administrative Agent**

Per: _____

Name: MARISA BEENEY

Title: AUTHORIZED SIGNATORY



SCHEDULE 2.2

NAMES

Legal Name: 2473304 Ontario Inc.

Business Names: Jones New York

Former Names: *No prior legal names.*

Predecessor Names: *No predecessor names.*

SCHEDULE 2.3

JURISDICTION OF INCORPORATION AND LOCATIONS OF COLLATERAL

Chief Executive Office: 388 Applewood Crescent, Vaughan, Ontario.

Registered Office: 388 Applewood Crescent, Vaughan, Ontario

Location of Books and Records: 388 Applewood Crescent, Vaughan, Ontario

Collateral Locations: See chart below.

Address	City	Province / State	Holder	Name of Landlord
388 Applewood Crescent	Vaughan	ON	2473304 Ontario Inc.	Tilzen Holdings Limited and Centura Real Estate Corp.
331 Highway 89 RR #1	Cookstown	ON	2473304 Ontario Inc.	Riocan Holdings Inc.
130-25 Benjamin Road	Waterloo	ON	2473304 Ontario Inc.	Sunlife Assurance Company of Canada and St. Jacob's Countryside Inc.
1201 Division Street	Kingston	ON	2473304 Ontario Inc.	KCAP Kingston Inc.
1555 Talbot	Lasalle	ON	2473304 Ontario Inc.	Optrust Retail Inc.
1659 Kenaston	Winnipeg	MB	2473304 Ontario Inc.	Smartcentres Management Inc.
7500 Lundy's Lane	Niagara Falls	ON	2473304 Ontario Inc.	Lundy's Lane Portfolio Inc.
45 Lakeside Road	Knowlton	QC	2473304 Ontario Inc.	Co-Enterprise Fiducie Lequin and 108227 Canada Inc.
105 Rue Guindon Street	St. Sauveur des Monts	QC	2473304 Ontario Inc.	Factoreries St-Sauveur II, SEC
4195 Dundas Street West	Toronto	ON	2473304 Ontario Inc.	1136974 Ontario Inc.
3500 Fairview Street	Burlington	ON	2473304 Ontario Inc.	Landmark Shopping Centre Inc.
735 Wonderland Road North	London	ON	2473304 Ontario Inc.	Dev-Lee Properties Ltd.
1755 Pickering Way	Pickering	ON	2473304 Ontario Inc.	Pickering Brock Centre Inc. (Original lease was with Riocan)
7771 Alderbridge Way	Richmond	BC	2473304 Ontario Inc.	ONNI 7771 Alderbridge Development Ltd.
3200 Jean Yves Street	Kirkland	QC	2473304 Ontario Inc.	Riotrin Properties Inc. (RioCan is on the lease)
790 Kanata Ave	Ottawa	ON	2473304 Ontario Inc.	Kanata Entertainment Holdings Inc.
17725 Yonge Street	Newmarket	ON	2473304 Ontario Inc.	Yonge-Kingston Centre Inc.

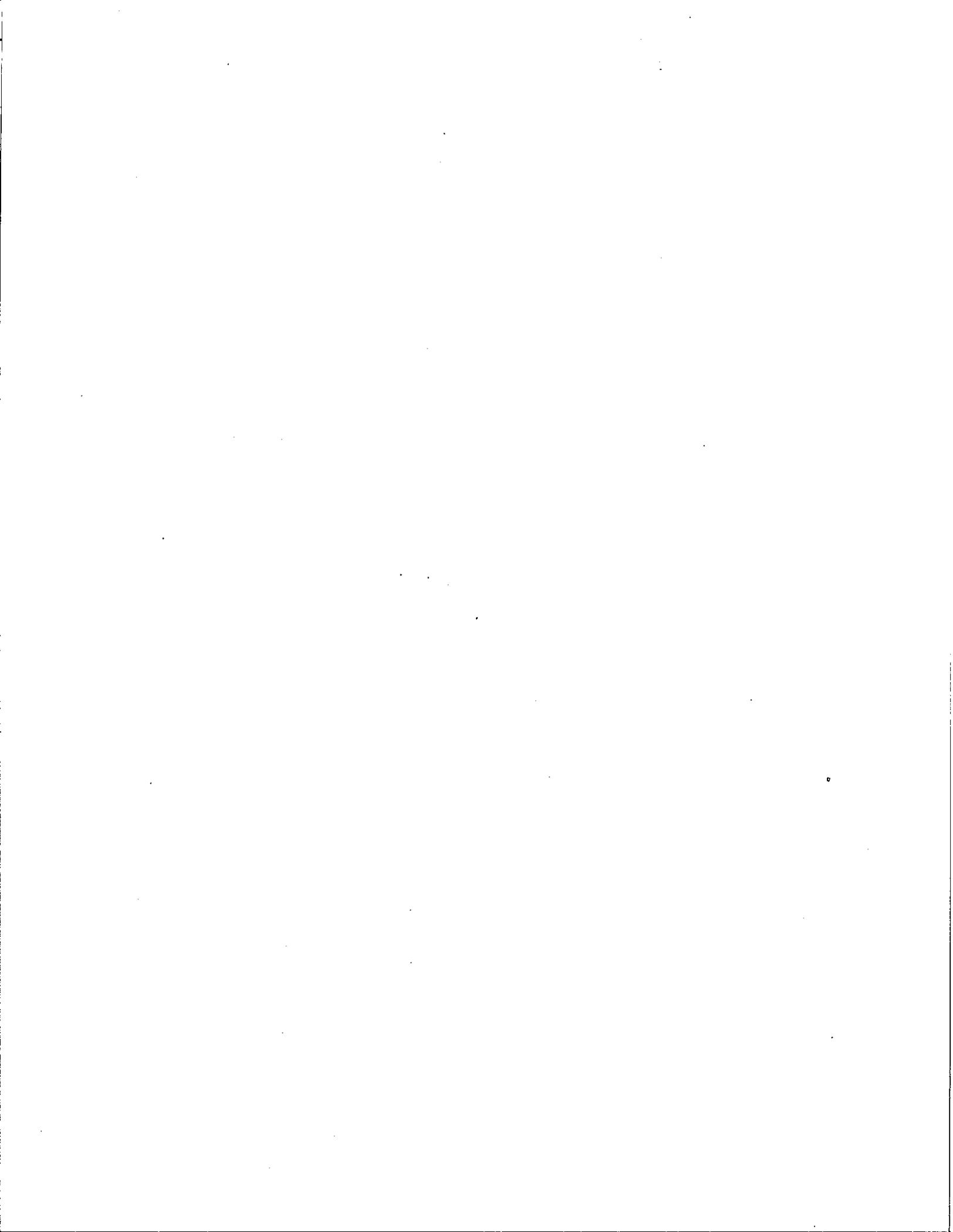
Address	City	Province / State	Holder	Name of Landlord
3187 Harwood Blvd	Hudson	QC	2473304 Ontario Inc.	Promenades Hudson Inc.
290 North Service Road	Oakville	ON	2473304 Ontario Inc.	2725321 Canada Inc.
526 Lawrence Ave West	Toronto	ON	2473304 Ontario Inc.	Lawrence Plaza Equities Inc.
1667 Merivale Road	Merivale	ON	2473304 Ontario Inc.	Riocan Holdings Inc. 15156 Canada Inc.
2002 Mer Bleue Road	Ottawa	ON	2473304 Ontario Inc.	Innes Shopping Centres Ltd.
2748 Lougheed Highway	Port Coquitlam	BC	2473304 Ontario Inc.	Westlo Financial Corp.
196 McEwan Drive East	Bolton	ON	2473304 Ontario Inc.	2090950 Ontario Inc.
805 Boyd Street	New Westminster	BC	2473304 Ontario Inc.	First Queensborough Shopping Centres Ltd.
5875 Rodeo Drive	Mississauga	ON	2473304 Ontario Inc.	Orlando Corp.
981 Wellington Road	London	ON	2473304 Ontario Inc.	Wellington Plaza Holdings Inc.
10755 Leslie Street	Richmond Hill	ON	2473304 Ontario Inc.	Rlotrin Properties Inc.
201 Chain Lake Drive	Halifax	NS	2473304 Ontario Inc.	Plazacorp Property Holdings Inc. and 3088409 Nova Scotia Ltd.
2000-1874 Scarile Street	Regina	SK	2473304 Ontario Inc.	Harvard Developments Inc.
1400 Ottawa Street South	Kitchener	ON	2473304 Ontario Inc.	Volsin Developments Ltd.
2505 Rue de L'Aulnaie	Mont Tremblant	QC	2473304 Ontario Inc.	Immeubles Marche Tremblant Inc.
3110-3218 Boul de la Gare	Vaudreuil	QC	2473304 Ontario Inc.	9139-6366 Quebec Inc.
9365 Boul Leduc - Suite 15	Brossard	QC	2473304 Ontario Inc.	4240073 Canada Inc., 9224-1892 Quebec Inc., and 9171-9922 Quebec Inc. represented by Carbonleo Real Estate Inc.
10816 Macleod Trail S	Calgary	AB	2473304 Ontario Inc.	Weston Securities Ltd.

SCHEDULE 3.5(A)
PLEDGED SECURITIES

Nil.

SCHEDULE 2.4
INTELLECTUAL PROPERTY

Nil.



DEED OF HYPOTHEC

ON THIS twenty-ninth (29th) day of February, year two thousand and sixteen (2016).

BEFORE Mtre. Julie Doan, the undersigned Notary practising in the Province of Quebec in the City of Montreal.

APPEARED: GSO CAPITAL PARTNERS, LP, a limited partnership, having an office at 345 Park Avenue, 31st Floor, New York, New York 10154, herein acting and represented by Alain Roberge, its duly authorized representative, duly authorized as he so declares,

(Party of the First Part)

AND 2473304 ONTARIO INC., a corporation duly incorporated under the laws of the Province of Ontario, having its registered or head office and domicile (within the meaning of such term in the *Civil Code of Québec*) at 388 Applewood Crescent, Vaughan, Ontario L4K 4B4, herein represented by Margarita Altankova, its authorized representative, duly authorized for the purposes hereof by virtue of a resolution of its shareholders and a resolution of its directors, each dated the ninth (9th) day of February, year two thousand and sixteen (2016), a certified copy or duplicate copy of which is annexed hereto after having been acknowledged as true and signed for identification by the said representative with and in the presence of the undersigned Notary,

(Party of the Second Part)

WHEREAS certain credit facilities have been made available to Grafton-Fraser Inc. (the Borrower) upon the terms and conditions contained in an amended and restated credit agreement dated as of June 16, 2009 (as such agreement may be amended, restated, supplemented, replaced or otherwise modified from time to time, including without limitation pursuant to each of the amendments dated as of April 12, 2010, June 11, 2010, March 18, 2011, December 31, 2012, June 17, 2014, July 7, 2015, July 23, 2015 and February 12, 2016, the Credit Agreement) among, *inter alia*, the Borrower, as borrower, GSO Capital Partners, LP (in such capacity, including its successors and assigns in such capacity, the Agent) and the lenders from time to time parties thereto, as lenders (the Lenders);

WHEREAS pursuant to a guarantee agreement dated February 12, 2016 (the "Guarantee") by 2473304 Ontario Inc. (the Grantor) in favour of the Agent, the Grantor has guaranteed the Guaranteed Obligations (as hereinafter defined);

WHEREAS as continuing collateral security for, *inter alia*, the payment and performance of the Secured Obligations (as hereinafter defined), the Grantor has agreed to execute and deliver the present deed (as amended, supplemented, restated, replaced or otherwise modified from time to time, this Deed) in favour of the Attorney;

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

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

1. **DEFINITIONS**

The following words and phrases, wherever used in this Deed shall, unless there be something in the context inconsistent therewith, have the following meanings:

- 1.1 **Agent** shall have the meaning ascribed to it in the recitals above;
- 1.2 **Attorney** means the Party of the First Part, in its capacity as the hypothecary, representative for all present and future Secured Parties pursuant to Article 2692 of the Civil Code and includes any successor or assign thereof in such capacity;
- 1.3 **Civil Code** means the *Civil Code of Québec*, as amended from time to time;
- 1.4 **Claims** shall have the meaning ascribed to it in paragraph 3.2.1;
- 1.5 **Credit Agreement** shall have the meaning ascribed to it in the recitals above;
- 1.6 **Deed** shall have the meaning ascribed to it in the recitals above;
- 1.7 **Event of Default** means the occurrence of an Event of Default (as such term is defined in the Credit Agreement);
- 1.8 **Equipment** shall have the meaning ascribed to it in paragraph 3.2.5 hereof;
- 1.9 **Grantor** means the Party of the Second Part and includes any successor thereto;
- 1.10 **Guarantee** shall have the meaning ascribed to it in the recitals above;
- 1.11 **Guaranteed Obligations** shall have the meaning ascribed to it in the Guarantee;
- 1.12 **Hypothecated Property** shall have the meaning ascribed to it in paragraph 3.2 hereof;
- 1.13 **Inventory** shall have the meaning ascribed to it in paragraph 3.2.2 hereof;
- 1.14 **Lenders** shall have the meaning ascribed to it in the recitals above;
- 1.15 **Party of the First Part** shall have the meaning ascribed to it in the recitals above;

- 1.16 Receiver shall have the meaning ascribed to it in subparagraph 7.4.12 hereof;
- 1.17 Secured Obligations shall have the meaning ascribed to it in Section 2 hereof; and
- 1.18 Secured Parties means the Agent and the Lenders, (and a Secured Party refers to any one of them);

Capitalized terms used herein and not otherwise defined herein (including in the recitals above) shall have the meanings ascribed to them in the Credit Agreement.

2. **SECURED OBLIGATIONS**

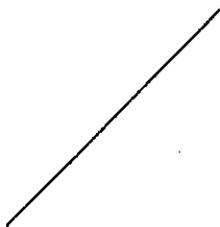
- 2.1 The hypothec constituted by this Deed (hereinafter referred to as the Hypothec) secures the payment and performance of the following obligations (hereinafter collectively referred to as the Secured Obligations):
 - 2.1.1 the Guaranteed Obligations; and
 - 2.1.2 the prompt payment, as and when due and payable, of all other amounts payable hereunder (including by way of guarantee or indemnity) and the legitimate costs that the Attorney may incur to recover the Guaranteed Obligations and preserve the Hypothecated Property (as such expression is hereinbelow defined), as well as the performance of any other obligations arising from this Deed.

3. **HYPOTHEC**

3.1 **Amount of Hypothec**

To secure the performance of the Secured Obligations, the Grantor hereby hypothecates in favour of the Attorney the property described in paragraph 3.2 hereof for the following amounts:

- 3.1.1 an amount of FIFTY MILLION CANADIAN DOLLARS (Cdn\$50,000,000);
- 3.1.2 plus interest on such amount, calculated from the date of this Deed and compounded annually, at the rate of twenty-five percent (25%) per annum.



3.2 Description of Hypothecated Property

The Grantor's Hypothec constituted by this Deed charges the following movable property of the Grantor, present and future, corporeal and incorporeal, of whatsoever nature and kind and wheresoever situated (all such property of the Grantor is hereinafter collectively called the Hypothecated Property):

3.2.1 the universality of the Grantor's right, title and interest from time to time in and to all present and future claims directly or indirectly held or owned by the Grantor (collectively, the Claims), including, without limitation :

3.2.1.1 all accounts receivable, Accounts, 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 (including, without limitation, securities accounts) maintained with any bank or other financial institution together with all interest paid or payable thereon, rentals, 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 and any other amounts or demands of every nature and kind howsoever arising, which are now or become hereafter due or owing to the Grantor, whether or not such Claims are certain and determinate, invoiced, liquid, exigible, litigious or constituted by a negotiable title or other instrument or draft and whether or not secured; and

3.2.1.2 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;

3.2.2 the universality of all the present and future goods, wares, materials, supplies, merchandise, products, work in process and stock-in-trade and on hand, present and future, purchased, acquired or produced for the purpose of consumption, processing, preparation or sale in the ordinary course of business or for the purpose of consumption in the production of the Grantor's products or to become a part of the Grantor's products, and all goods, wares, materials and merchandise, present and future, used in or procured for the packing and storing of such goods,

wares, materials, supplies, merchandise, products, work in process, stock-in-trade and on hand (collectively referred to herein as the Inventory) and all rights to the warehouse receipts, bills of lading and other title documents relating to the Inventory;

- 3.2.3 all patents, trademarks and other intellectual property rights, including, without limitation, the intellectual property rights described in in Schedule A hereof (collectively, the Intellectual Property Rights);
- 3.2.4 all of the securities of the Grantor covered by Section 6 hereof, including, without limitation, those described in Schedule A hereof;
- 3.2.5 the universality of all of the equipment, machinery, tools, motor vehicles, additions, appliances and accessories now owned or held or at any time hereafter acquired or held by the Grantor, wheresoever situate, whether or not the same form an integral part of the immovable properties of the Grantor or are incorporated therein or attached or joined thereto (collectively referred to herein as the Equipment);
- 3.2.6 all books, accounts, invoices, deeds, documents, writings, letters, papers, security certificates and other records in any form evidencing or relating to the property described in paragraphs 3.2.1 to 3.2.5 inclusive and all contracts, securities, instruments and other rights, and benefits in respect thereof, including, without limitation, computer programs, disks, tapes and related electronic data processing media and the rights of the Grantor to receive the same from third persons, which now are or may hereafter become vested in the Grantor;
- 3.2.7 all uncalled capital, money, rights, bills of exchange, negotiable and non-negotiable instruments, judgments and securities not otherwise described in paragraphs 3.2.1 to 3.2.6 inclusive;
- 3.2.8 all substitutions and replacements of any of the property described in paragraphs 3.2.1 to 3.2.7 inclusive, all increases, additions and accessions thereto and any interest of the Grantor therein;
- 3.2.9 all proceeds of any of the property described in paragraphs 3.2.1 to 3.2.8 inclusive, including, without limitation, movable property in any form or fixtures or crops derived directly or indirectly from any dealing with such property or that indemnifies or compensates for loss of or damage to such property or proceeds therefrom destroyed or damaged and proceeds of proceeds whether of the same type, class or kind as the original proceeds, including without limitation, all indemnities and insurance proceeds, expropriation proceeds, rents, income, fruits, revenues, issues and

profits arising from, or in connection with, such property and the present and continuing right to claim for, collect and receive any one and all of the said indemnities and insurance proceeds, expropriation proceeds, rents, income, fruits, revenues, issues and profits; and

- 3.2.10 all reimbursements of taxes, rates, assessments, levies, surtaxes and any other impositions which may be assessed on or payable in respect of any of the property described in paragraphs 3.2.1 to 3.2.9 inclusive.

The whole of the above without the Attorney being required to register or re-register any notice whatsoever; the object of the Hypothec being the universality of the present and future movable property described above.

3.3 Interpretation

The parties hereto acknowledge and confirm that:

- 3.3.1 this Hypothec and the Guarantee shall each constitute a "Guarantors' Security Document", a "Security Document" and a "Loan Document" for the purposes of the Credit Agreement and the other Loan Documents. For certainty, all references in the Credit Agreement or in any other Loan Document (including this Deed) to the "Loan Documents" shall include this Deed and the Guarantee.
- 3.3.2 the Hypothec created on the Hypothecated 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;
- 3.3.3 the Hypothec constituted by this Deed will remain in full force and effect for the full amount stipulated in Section 3.1 hereof until such time as the Secured Obligations are fully extinguished or until such time as the Attorney no longer requires the benefit of the Hypothec constituted by this Deed. The Hypothec, security and rights hereby created in favour of the Attorney will not be extinguished or novated by any payments made to or amounts received by the Attorney, 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
- 3.3.4 should the Secured Obligations at any time be fully extinguished without an express discharge of the Hypothec constituted by this Deed having been granted, and should any new Secured Obligations arise, the security created hereunder will secure such new Secured Obligations in the same manner and to the same extent as if there had never occurred an

extinction of any of the Secured 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 Secured Obligations pursuant to the provisions hereof and the Hypothec constituted by this Deed shall secure such new Secured Obligations as contemplated by Article 2797 of the Civil Code.

4. **GRANTOR'S UNDERTAKINGS**

4.1 **Intellectual Property Rights**

The Grantor will promptly, following demand from time to time by the Attorney, authorize, execute and deliver any and all agreements, instruments, documents and papers that the Attorney may reasonably request to evidence each Hypothec in any of the Intellectual Property Rights.

4.2 **Transformation**

The Grantor may not, without the Attorney's prior written consent, transform any of the movables located, or deemed located, in the Province of Quebec 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 or made subject to the Hypothec hereby granted or to any other security interest granted in relation to the Loan Documents 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 Attorney's security or rights hereunder, including in particular their rank, being diminished.

in the event of any such transformation, even without the Attorney's authorization, the Grantor (who shall not be relieved of the default resulting from the failure to obtain authorization) shall immediately inform the Attorney of the details of such transformation and shall in particular provide the Attorney 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 **Fees**

The Grantor agrees to indemnify and save harmless the Attorney from and against any and all claims, losses and liabilities arising out of or resulting from this Hypothec (including, without limitation, enforcement of this Hypothec), except claims, losses or liabilities resulting from the Attorney's gross or intentional fault.

The Grantor will upon demand pay to the Attorney the amount of any and all reasonable expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, which the Attorney may incur in connection with (i) the administration of this Hypothec, (ii) the custody,

preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Hypothecated Property, (iii) the exercise or enforcement of any of the rights or remedies of the Attorney hereunder or (iv) the failure by the Grantor to perform or observe any of the provisions hereunder.

4.4 Registration

The Grantor shall cooperate with the Attorney, to the extent deemed necessary or useful by the Attorney, in order that the Attorney 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 Attorney acting reasonably, 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.

5. [Intentionally Deleted.]

6. PROVISIONS APPLICABLE TO THE HYPOTHECS ON CLAIMS

The following provisions apply to Claims owed to the Grantor and hypothecated in favour of the Attorney.

6.1 Collection

The Grantor shall have authority to collect payments of interest and repayments of principal made on its Claims Included in the Hypothecated Property hypothecated in favour of the Attorney pursuant to this Deed, as they fall due. The Attorney may withdraw this authorization by written notice upon the occurrence of an Event of Default which is continuing. Notwithstanding the foregoing, the Attorney may after the occurrence of an Event of Default which is continuing take all necessary steps to set up the Hypothec constituted by this Deed against the debtors of the hypothecated Claims. In such event, the Grantor undertakes to remit to the Attorney, upon request, all titles, documents, registers, invoices and accounts evidencing its 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.

Any payment received by the Grantor on account of any hypothecated claim other than pursuant to the foregoing authorization shall be received for the Attorney'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 Attorney without compensation.

6.2 Attorney's Rights

The Attorney 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 Attorney decide to collect the

hypothecated Claims in accordance with paragraph 6.1, 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 Attorney shall not thereby incur any liability toward or be accountable to the Grantor, save in respect of its gross negligence or intentional fault. Unless the Grantor so requests in writing, the Attorney 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 Secured Obligations in principal, interest and costs, the Attorney shall not be accountable to the Grantor with respect to the status of the collections made or any transactions and arrangements entered into unless the Attorney has been grossly negligent or perpetrated an intentional or gross fault.

6.3 Financial Administration Act (Canada)

Where any of the Grantor's Claims 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 paragraph 6.1 hereof, the Attorney shall be free to complete the formalities required to make such assignment fully enforceable.

7. DEFAULT

7.1 Events of Default

The Grantor shall be considered in default hereunder upon the occurrence of an Event of Default and for so long as such Event of Default is continuing.

7.2 Effects

Without limiting its rights, at any time and at its discretion, to demand payment of any Secured Obligations 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), the Attorney, upon the occurrence of an Event of Default which is continuing, may demand immediate and full payment of the amounts owing on account of the Secured 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 Attorney;
- sale by judicial authority.

7.3 Exercise of Rights

In the event that the security hereby constituted shall have become enforceable following the occurrence of an Event of Default which is continuing, the Attorney may proceed to realize the security created by this Deed and to exercise any right, recourse or remedy of the Attorney and of the Secured Parties under this Deed or provided for by law, including without limitation any of the hypothecary rights and recourses provided for under the Civil Code.

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

7.4 Attorney's Rights

Irrespective of the particular remedy exercised by the Attorney in the event of an Event of a Default which is continuing, the following provisions shall apply in addition to any provisions that may by law apply in the circumstances, the Grantor expressly agreeing thereto:

- 7.4.1 the Grantor undertakes to assemble its Hypothecated Property upon request; in addition, the Attorney 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;
- 7.4.2 the Attorney may, in addition, at its discretion and at the Grantor's expense, whether after the Grantor has surrendered the Hypothecated Property and until the Attorney has exercised the hypothecary right which it intends to exercise; or whether after the Attorney 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 leases for such amounts and on such terms and conditions as the Attorney deems appropriate, make any repairs or renovations or undertake or complete any work;
- 7.4.3 the Attorney may, in the exercise of its rights, renounce any right relating to the Hypothecated Property belonging to the Grantor, even where no valuable consideration is received;
- 7.4.4 the Attorney shall not be bound to make an inventory, take out insurance or furnish other security to secure the performance of its obligations;

- 7.4.5 the Attorney 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 relating to its Hypothecated Property; the Attorney may use the Hypothecated Property or any information that it obtains by reason of its administration for its own benefit;
- 7.4.6 the Grantor, through its officers and directors, shall forthwith execute such documents and transfers as may be necessary to place the Attorney in legal possession of Its 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;
- 7.4.7 the Attorney 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 Attorney see fit to render an account, it may do so in summary fashion;
- 7.4.8 for the purpose of exercising any of its rights, the Attorney may make use of any premises on which the Hypothecated Property is located, the whole at the Grantor's expense;
- 7.4.9 the Attorney 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 Attorney may stipulate, after giving such prior notices as are required by Articles 2784 and following of the Civil Code, and the Attorney 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 Attorney 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;
- 7.4.10 for the purposes of enabling the Attorney to exercise rights and remedies under Section 7 hereof (including,

without limiting the terms of Section 7.4 hereof, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell or otherwise dispose of the Hypothecated Property) at such time as the Attorney shall be lawfully entitled to exercise such rights and remedies; the Grantor hereby grants to the Attorney an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to the Grantor) to use, license or sublicense any intellectual property now owned or hereafter acquired by the Grantor, and wherever the same may be located, and including such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof;

7.4.11 the Attorney, 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; and

7.4.12 the Attorney may, in addition to any other rights it may have, appoint by instrument in writing a receiver or receiver and manager (both of which are herein called a Receiver) of all or any part of the Hypothecated Property or may institute proceedings in any court of competent jurisdiction for the appointment of such a Receiver. Any such Receiver is hereby given and shall have the same powers and rights and exclusions and limitations of liability as the Attorney has under this Deed or at law. In exercising any such powers, any such Receiver shall, to the extent permitted by law, act as and for all purposes shall be deemed to be the agent of the Grantor and the Attorney shall not be responsible for any act or default of any such Receiver. The Attorney may appoint one or more Receivers hereunder and may remove any such Receiver or Receivers and appoint another or others in his or their stead from time to time. Any Receiver so appointed may be an officer or employee of the Attorney. A court need not appoint, ratify the appointment by the Attorney or otherwise supervise in any manner the actions of any Receiver. Upon the Grantor receiving notice from the Attorney of the taking of possession of its Hypothecated Property or the appointment of a Receiver, all powers, functions, rights and privileges of each of the directors and officers of the Grantor with respect to its Hypothecated Property shall cease, unless specifically continued by the written consent of the Attorney.

7.5 Taking in Payment

If the Attorney elects to exercise its right to take in payment the Hypothecated Property of the Grantor and the Grantor requires that the

Attorney instead sell, by itself or under judicial authority, its Hypothecated Property on which such right is exercised, the Grantor hereby acknowledges that the Attorney shall not be bound to abandon its recourse of taking in payment unless, prior to the expiry of the time period allocated for surrender, the Attorney (i) has been granted a security satisfactory to it, to ensure that the proceeds of the sale of the Hypothecated Property will be sufficient to pay the Secured Obligations in full, (ii) has been reimbursed for all reasonable costs and expenses incurred in connection with this Deed and (iii) has been advanced the necessary sums for the sale of said Hypothecated Property; the Grantor further acknowledges that the Attorney alone is entitled to select the type of sale it may wish to conduct or have conducted.

8. **THE ATTORNEY**

8.1 **Hypothecary Representative**

The Grantor hereby appoints the Party of the First Part, and the Party of the First Part hereby accepts and agrees to act as the hypothecary representative for all present and future Secured Parties as contemplated in Article 2692 of the Civil Code, in order to receive and hold the Hypothec created hereby and hereafter created or constituted, as continuing security for the payment of the Secured Obligations. Any person who becomes a Secured Party shall benefit from the provisions hereof and the appointment of the Attorney as the hypothecary representative for all present and future Secured Parties and, upon becoming a Secured Party, authorizes the Attorney to perform such function. The Attorney may perform any act necessary to the fulfillment of its duties.

8.2 **Habendum**

The Attorney, as hypothecary representative for all present and future Secured Parties, shall have and hold the Hypothec constituted by this Deed and all rights hereby conferred unto it for the equal benefit and security of all the Secured Parties without any preference or priority of any of the aforesaid over any others, the whole as provided hereunder.

8.3 **Liability of Attorney**

The Attorney shall not be liable for material injuries resulting from its fault, unless such fault is gross or intentional. The Attorney shall not be responsible for any loss occasioned by its taking possession of the Hypothecated Property or enforcing the terms of this Deed, nor for any neglect, failure or delay in exercising or enforcing any of its rights and recourses, nor for any act, default or misconduct of any agent, broker, officer, employee or other party acting for or on behalf of the Attorney unless same results from it or its gross or intentional fault or that of its agent, broker, officer, employee or other party acting on its behalf. The Attorney shall be accountable only for such monies as it shall actually receive.

8.4 **Protection of Persons Dealing with the Attorney**

No Person dealing with the Attorney or its representatives shall be concerned to inquire whether the security created under this Deed has

become enforceable, or whether the powers which the Attorney is purporting to exercise have become exercisable, or whether any money remains due upon the security of this Deed, or as to the necessity or expediency of the stipulations and conditions subject to which any sale shall be made, or otherwise as to the property or regularity of any sale or of any other dealing by the Attorney with the Hypothecated Property pursuant to the terms of any applicable law or this Deed or to see to the application of any money paid to the Attorney and; in the absence of fraud on the part of such Person, such dealings shall be deemed; so far as regards the safety and protection of such Persons, to be within the powers conferred under this Deed and to be valid and effectual accordingly.

8.5 Delegation by Attorney

The Attorney may delegate the exercise of its rights or the performance of its obligations hereunder, to another Person, including a Secured Party, in accordance with the Credit Agreement. In that event, after obtaining such written assurances regarding the confidentiality thereof as the Attorney considers reasonably satisfactory, the Attorney may furnish that Person with any information it may have concerning the Grantor or its Hypothecated Property. The Attorney shall not be responsible for damages resulting from such delegation from any fault committed by such delegate, unless same results from an intentional or gross fault. The Attorney shall be entitled to take legal or other advice and employ such assistance as may be necessary to the proper discharge of its duties, and to pay proper and reasonable compensation to such agents and attorneys for all such legal and other advice or assistance as aforesaid.

8.6 Resignation or Replacement of Attorney

The Attorney may at any time resign from office upon thirty (30) days prior notice in writing given to the Grantor and to the Secured Party or upon such shorter delay as may be accepted by the Secured Parties. The Secured Parties may, subject to the terms of the Credit Agreement, then or at any time thereafter appoint a new hypothecary representative confirming such appointment in writing to the Grantor, which the Grantor hereby undertakes to accept, in the place of the hypothecary representative so resigning; no resignation shall come into effect before a new hypothecary representative has been appointed.

Notwithstanding the foregoing, the Attorney may resign or be replaced by a new hypothecary representative in accordance with the terms of the Credit Agreement at any time without further action required hereunder.

The new hypothecary representative, without further act (other than the filing of a notice of replacement in the applicable register in accordance with Article 2692 of the Civil Code for the purposes of exercising the rights relating to the hypothec created hereunder), shall then be vested and have all rights, powers and authorities granted to the Attorney hereunder and be subject in all respects to the terms, conditions and provisions hereof to the same extent as if originally acting as hypothecary representative hereunder.

8.7 Attorney to Exercise Reasonable Diligence

The Attorney shall only be accountable for reasonable diligence in the exercise of its functions under this Deed and shall only be liable for its own intentional or gross fault and that of its agents, brokers, officers, employees and other persons acting on its behalf.

8.8 Absolute Discretion of Attorney

The Attorney, except as otherwise provided in this Deed, shall, as regards all the powers, authorities and discretions 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 gross 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.

8.9 No Liability for Title Defects

The Attorney shall not be liable for or by reason of any failure or defect of title to or any priority, prior claim, hypothec, or other charge upon the Hypothecated Property, or for or by reason of the statements of facts or recitals contained in this Deed, or be required to verify the same; but all such statements and recitals are and shall be deemed to have been made by the Grantor only, and it shall not be the duty of the Attorney, and nothing contained in this Deed shall in any way impose any obligation upon the Attorney to insure or keep insured, against loss or damage by fire or otherwise, the Hypothecated Property or any part thereof or to keep itself informed or advised as to the payment by the Grantor of any taxes or assessments or premiums of insurance or other payments which the Grantor should make.

8.10 Investment of Hypothecated Property

The Attorney shall be free to invest any monies or instruments received or held by it pursuant hereto or to deposit same in a non-interest bearing account without having to comply with any provisions of the Civil Code concerning the investment of the property of others to the extent permitted under the Credit Agreement.

8.11 Extensions

The Attorney may grant extensions of time and other indulgences, take and give up security, accept compositions, grant releases and discharges and otherwise deal with the Grantor, with other parties and with the Hypothecated Property transferred hereby as the Attorney may see fit without prejudice to the liability of the Grantor or to the Attorney's rights pursuant to this Deed.

8.12 Recourse Cumulative

The rights and recourses of the Attorney pursuant to this Deed are cumulative and do not exclude any other rights and recourses which the Attorney might have. No omission or delay on the part of the Attorney in the exercise of any right shall have the effect of operating as waiver of such

right. The partial or sole exercise of a right or power will not prevent the Attorney from exercising thereafter any other right or power.

8.13 Liability of Secured Parties

No Secured Party shall be liable to third parties for acts performed by the Attorney (or any other person appointed by the Attorney to perform all or any of its rights, powers, trusts or duties hereunder) during the exercise of its rights, powers and the performance of its duties under this Deed or for injury caused to such parties by the fault of the Attorney (or any such Person), or for contracts entered into in favour of such parties, during such performance and the Attorney (or any such Person) alone shall be so liable subject to any rights or recourses which the Attorney (or any such Person) may have hereunder or under law against the Grantor or any other Person (other than a Secured Party) in connection with any such liability.

8.14 Bankruptcy of the Attorney

The bankruptcy of the Attorney shall not terminate its rights, powers, trusts and duties hereunder provided that such rights, powers, trusts and duties are assumed by a successor Attorney appointed in accordance with the provisions hereof.

8.15 Benefit of Deed

The rights hereby conferred upon the Attorney shall benefit all of its successors, including any entity resulting from the merger of the Attorney with any other Person or Persons, and any entity that succeeds the Attorney as Attorney.

9. REPRESENTATIONS, WARRANTIES AND COVENANTS

9.1 Representations and Warranties

In addition to and not in substitution for any representation and warranty contained in this Deed, the Grantor does hereby represent and warrant to and in favour of the Attorney that each representation and warranty made in the Loan Documents (including, for certainty, representations and warranties made in the Credit Agreement), inasmuch as applicable to the Grantor, is hereby reiterated and restated by the Grantor and each such representation and warranty is hereby incorporated by reference, *mutatis mutandis*, and is hereby confirmed as true and correct as of the date hereof.

9.2 Covenants and Agreements

In addition to and not in substitution for any covenant, agreement, undertaking and condition contained in this Deed, the Grantor does hereby covenant and agree with the Attorney, that it shall comply with, and ensure the compliance of, all covenants, agreements, undertakings and conditions given under the Loan Documents (including, for certainty, those set forth in the Credit Agreement), inasmuch as applicable to the Grantor, and each such covenant, agreement, undertaking and condition is hereby incorporated by reference, *mutatis mutandis*.

9.3 Survival

All representations, warranties, covenants, agreements, undertakings and conditions made in the Loan Documents to which it is a party, which are material, shall be considered to have been relied on by the Attorney and shall survive the execution and delivery of this Deed of Hypothec or any investigation made at any time by or on behalf of the Attorney and any disposition or payment of the Secured Obligations until the Termination Date.

10. MISCELLANEOUS PROVISIONS

10.1 Nullity of a Provision

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

10.2 Application of Payments

Upon the exercise by the Attorney of any rights and remedies provided hereunder, any and all proceeds received from such exercise shall be applied and distributed as provided in the Credit Agreement.

Should any of the Hypothecated Property or its proceeds be in a currency different from that of the Secured Obligations, the Attorney is hereby authorized to convert the amount or the claim in question into the currency of the Secured Obligations in accordance with the terms of the Credit Agreement.

10.3 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 Attorney or the Secured Parties. The exercise by the Attorney of any of its rights and remedies shall not prevent it or the Secured Parties from exercising any other right or remedy conferred upon them by this Deed or any other security or by law.

The Attorney may 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 Secured Obligations or to realize any other security securing the Secured Obligations.

10.4 Notices

Except as otherwise provided herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made to the party to whom such notice, request, demand or other communication is required or permitted to be given or made under this Deed, when delivered to such party in accordance with the provisions of the Credit Agreement.

10.5 Notice of Default

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

10.6 Waivers

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

10.7 Further Assurances

The Grantor shall at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all and singular every such further acts, deeds, conveyances, instruments, transfers, assignments, security agreements and assurances as the Attorney may reasonably require in order to give effect to the provisions and purposes of this Deed including, without limitation, in respect of the Attorney's enforcement of the security and its realization on the Hypothecated Property, and for the better granting, transferring, assigning, charging, setting over, assuring, confirming and/or perfecting the security interest of the Attorney in the Hypothecated Property pursuant to this Deed. Effective upon the occurrence and during the continuance of an Event of Default, the Grantor hereby constitutes and appoints any officer of the Attorney at its above address, or any Receiver appointed by the court or the Attorney as provided herein, the true and lawful attorney of the Grantor irrevocably with full power of substitution to do, make and execute all such assignments, documents, acts, matters or things with the right to use the name of the Grantor whenever and wherever it may be deemed necessary or expedient in connection with the exercise of its rights and remedies set forth in this Deed. Without limiting the generality of the foregoing, so long as the Attorney shall be entitled hereunder to make collections in respect of the Hypothecated Property, the Attorney shall have the right and power to receive, endorse and collect all cheques payable to the order of the Grantor representing any dividend, payment or other distribution in respect of its Hypothecated Property or any part thereof and to give full discharge for the same. The Grantor hereby authorizes the Attorney to file such proofs of claim and other documents as may be necessary or advisable in order to prove its claim in any bankruptcy, proposed winding-up or other proceeding relating to the Grantor.

10.8 Indemnification

The Grantor hereby agrees and undertakes to indemnify the Attorney and save and hold it harmless from and against any and all losses, expenses, costs and liabilities (including legal fees and disbursements) that the Attorney 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 Attorney hereunder, except losses, expenses, costs and liabilities resulting from the Attorney's, or its agent, broker, officer, employee or other Person acting on its behalf, gross or intentional fault.

10.9 Power of Attorney

The Grantor hereby grants to the Attorney an irrevocable power of attorney, effective upon the occurrence of an Event of Default that is continuing, 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 Attorney may deem necessary or appropriate to be done, made or executed by the Grantor to protect the Attorney's 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 Attorney by the Loan Documents, and in particular, without limiting the generality of the foregoing, 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, to endorse or transfer all or any part of the securities, if any, included in the Hypothecated Property over to the Attorney or its agents, correspondents or mandataries, including any depositary, so that the Attorney or its agents, correspondents or mandataries may be registered as sole owner of such securities, and to obtain from any taxation authority at any time, if deemed useful, any information necessary to allow the Attorney to determine the amount of the Grantor's indebtedness to such taxation authorities. The Grantor also grants effective upon the occurrence of an Event of Default that is continuing 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.

10.10 Interpretation

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

10.11 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.

10.12 Paramountcy

Except as limited below, and subject in all respects to Section 3.3.1, in the event that any provisions of this Deed contradict, are inconsistent with or are otherwise incapable of being construed in harmony with the provisions (including any rights, remedies and covenants therein) of the Credit Agreement, the provisions of the Credit Agreement shall take precedence over those contained in this Deed. Notwithstanding the foregoing, in the event that provisions related to or affecting the creation, validity or enforcement of the security created under this Deed are contained in the Credit Agreement, if any, contradict or are otherwise incapable of being construed in harmony with the provisions of this Deed, such provisions of this Deed shall take precedence over those contained in the Credit Agreement.

10.13 Applicable Law

This Deed shall be governed and construed in accordance with the laws in force in the Province of Quebec.

10.14 Explanation of Contract

The Grantor confirms that it has had an opportunity to consult a lawyer, notary or other adviser in connection therewith.

10.15 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.*

11. SCHEDULE

The following is Schedule A referred to above:

SCHEDULE A

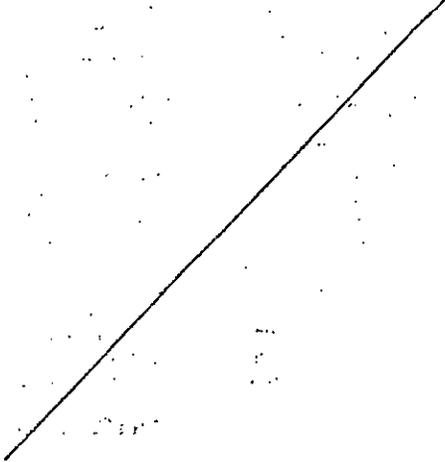
DESCRIPTION OF CERTAIN SPECIFIC PROPERTY INCLUDED IN THE
HYPOTHECATED PROPERTY (AS OF THE EXECUTION OF THIS DEED)

Intellectual Property Rights

-none

Securities

-none



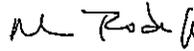
WHEREOF ACTE

DONE AND PASSED at Montréal, Province of Québec, on the day, month and year first mentioned above and entered in the minutes of the undersigned Notary under number **TWO HUNDRED AND THIRTY-EIGHT (238)**.

AND AFTER the parties had declared that they had taken cognizance of these presents and had exempted the said Notary from reading them or causing them to be read, the parties hereto have signed with and in the presence of the Notary.

GSO CAPITAL PARTNERS, LP

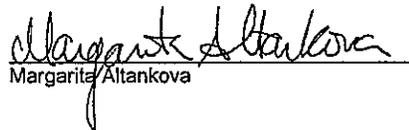
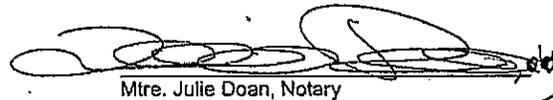
Per:



Alain Roberge

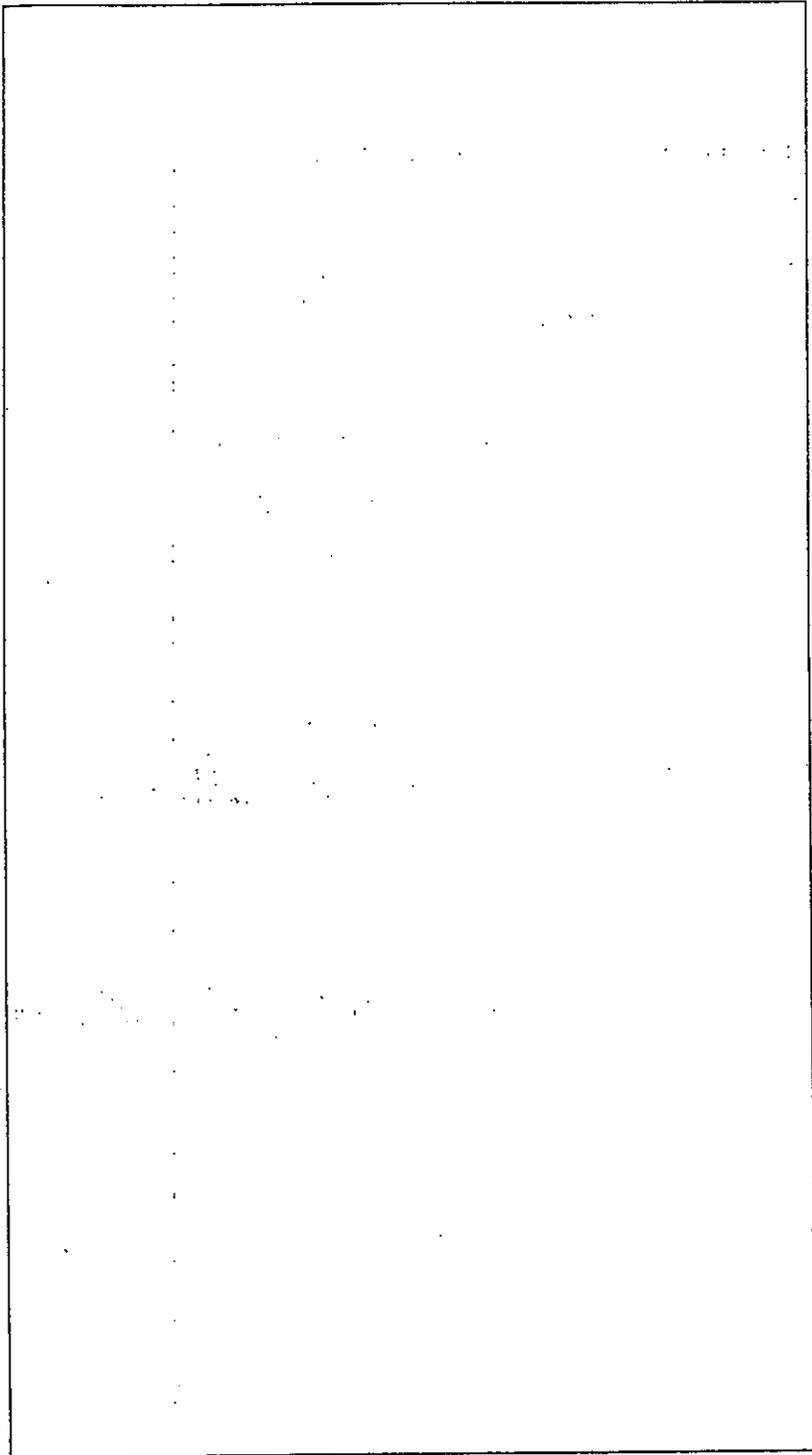
2473304 ONTARIO INC.

Per:


Margarita Altankova
Mtre. Julie Doan, Notary

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







Minute Number : 238

Date : February 29, 2016

Mtre. Julie Doan, Notary

DEED OF HYPOTHEC

by

2473304 ONTARIO INC.

in favour of

GSO CAPITAL PARTNERS, LP

CERTIFIED COPY

File no.: 16C05282690

T. 514 392.0122
F. 514 392.9922

1680-1200, avenue McGill Collège, Montréal (Québec) H3B 4G7

Court File No.: CV-16-11419-00CL

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 2473304 ONTARIO INC.**

(the "Applicant")

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced in Toronto

**APPLICATION RECORD
Volume 2 of 3**

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