

Lenders (as defined below) and upon being advised that any other person who might be interested in these proceedings will be served with a copy of this Order by Wednesday, July 31, 2004.

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record herein be and it is hereby abridged such that the Application is properly returnable today and, further, that service of the Notice of Application and the Application Record upon any interested person not served is hereby dispensed with.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") applies.

DEFINITIONS

3. THIS COURT ORDERS that in this Order all capitalized terms not otherwise defined in this Order shall have the meaning described in Schedule 1 to this Order.

COME BACK DATE

4. THIS COURT ORDERS that any interested party who wishes to seek an amendment to this Order may do so on or before Tuesday, July 27, 2004.

STAY OF PROCEEDINGS

5. THIS COURT ORDERS that until and including the date that is thirty (30) days from the date of this Order or such later date as this Court may order hereafter (the "Stay Period"),

- (a) any and all proceedings commenced, taken, proceeded with, made or issued or that may be commenced, taken or proceeded with, made or issued in Canada or elsewhere by any Person against or in respect of the Applicants, or in respect of any Property, and without restricting the generality of the foregoing, whether pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the "BIA"), the *Winding*

Up and Restructuring Act (the "WUA") or otherwise, are hereby stayed, restrained and suspended;

- (b) the right of any person to take, issue, commence or continue Enforcement is hereby stayed, restrained and suspended;
- (c) the right of any Person to assert, enforce or exercise any Rights, where such Rights arise out of, relate to or are triggered by the occurrence of any default or non performance by the Applicants hereunder, the making of this Order, or the commencement and continuance of this proceeding, is hereby stayed, restrained and suspended;
- (d) all Persons having arrangements or agreements, written or oral, with the Applicants, for services or in respect of Leased Premises or in respect of Rights, whether the Applicants are acting as principal, agent or nominee, are hereby restrained from accelerating, terminating, suspending, modifying, cancelling, failing to renew on reasonable terms, or otherwise interfering with such Services, Leased Premises or Rights, without the written consent of the Applicants or leave of this Court so long as the Applicants pay the normal prices or charges (other than deposits, standby fees or similar items which the Applicants shall have no obligation to pay) for Services received after the date of this Order as same become due, or as may be hereafter negotiated from time to time, and that such Persons shall continue to perform and observe the terms and conditions contained in any agreements entered into with the Applicants or in connection with the Services, Leased Premises or Rights as the case may be;
- (e) the right of any holder of any debt, loan or securities of the Applicants to convert such debt, loan or securities to other securities or Property of the Applicants, is hereby stayed, restrained and suspended and all Persons are stayed and restrained from the registration or re-registration of any securities owned by the Applicants into the names of such Persons or their nominees, or the exercise of any voting rights attaching to any securities owned beneficially or otherwise by the Applicants; and

- (f) subject to the provisions of paragraphs 11.5(2) and (3) of the CCAA, no Person may commence or continue any Proceeding against any of the Directors of the Applicants relating to any claims against the Directors and any claims relating to obligations of the Applicants where Directors are, under any law, liable in their capacity as Directors for the payment of such obligations until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by the Court or is refused by the creditors or the Court.

6. THIS COURT ORDERS that during the Stay Period, no person, firm, corporation, governmental authority, or other entity shall, without leave, discontinue, fail to renew, alter, interfere with or terminate any right, contract, arrangement, agreement, permit, or licence in favour of or held by the Applicants, as a result of any default or non-performance by the Applicants, the making or filing of these proceedings or any allegation contained in these proceedings.

7. THIS COURT ORDERS that, during the Stay Period, all Persons be and they are hereby prohibited from terminating, suspending, modifying, cancelling, disturbing or otherwise interfering in any way with the Property enjoyed by the Applicants and the present or future occupation by the Applicants of any Leased Premises.

8. THIS COURT ORDERS that, subject to paragraph 9 of this Order, Persons may exercise only such rights of set-off as are permitted under Section 18.1 of the CCAA as of the date of this Order. For greater certainty, no Person may set off any obligations arising on or after the date of this Order against any obligations of the Applicants to such Person which arose prior to this Order.

9. THIS COURT ORDERS that for greater certainty and without limiting the generality of the stay provisions of this Order, all Persons having written or oral agreements with the Applicants for the supply of goods and/or Services to the Applicants, and all Persons having franchise agreements and obligations, shall continue to pay volume rebates and advertising, merchandising, performance or similar allowances or credits ("Rebates") and franchise fees and obligations after the date hereof in accordance with existing volume rebate and allowance practices and franchise practices, and all such Persons shall not be entitled to set-off any claims

against the Applicants existing as of the date hereof against Rebates earned by any of the Applicants before the date hereof and no such Person shall be permitted to set-off such claims against Rebates or franchise fees and obligations earned by any of the Applicants after the date hereof.

10. THIS COURT ORDERS that the landlords of any Leased Premises are hereby specifically restrained from taking any steps to terminate any lease, sublease, occupancy or other agreement to which the Applicants are parties, whether by notice of termination or otherwise, or to distrain on any Property or to terminate any ancillary agreements or arrangements, including, without limitation, leasehold improvement arrangements with the Applicants, without the prior written consent of the Applicants or leave of this Court first being obtained, subject to the obligation of the Applicants to pay occupation rent calculated on a daily basis for the period in accordance with their respective terms and conditions, without the prior written consent of the Applicants or without leave of this Court.

11. THIS COURT ORDERS that, to the extent that any rights, obligations or time or limitation periods relating to the Applicants or the Property may expire or terminate with the passage of time, the term of such rights, obligations or periods shall hereby be deemed to be extended by a period of time equal to the duration of the Stay Period and, in the event that an Applicant becomes bankrupt or a receiver is appointed in respect of such Applicants within the meaning of section 243(2) of the BIA, the period between the date of this Order and the day on which the Stay Period is ended, shall not be counted in determining the 30 day period referred to in section 81.1 of the BIA, provided that this paragraph shall not be construed to extend the term of any lease that expires during the Stay Period.

12. THIS COURT ORDERS that no creditor of the Applicants shall be under any obligation after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants except as may be agreed with such creditor on or after the date of this Order.

POSSESSION OF PROPERTY

13. THIS COURT ORDERS that the Applicants shall remain in possession and control of the property, assets and undertaking (collectively, the "Property") and shall continue to carry on

business in a manner consistent with the preservation of the Applicants' business and Property and shall be authorized and empowered to continue to retain, engage and employ the employees, agents, accountants, advisors, solicitors and consultants currently in their employ, with liberty to retain such further employees, agents, accountants, advisors, solicitors and consultants as they deem reasonably necessary or desirable in the ordinary course of business or for the purpose of the Plan (as defined below) or the carrying out of the terms of this Order.

OPERATIONS

14. THIS COURT ORDERS that the Applicants shall be entitled to exercise any rights of set-off or claim any allowances or benefits to which the Applicants are entitled to claim against amounts payable by the Applicants to any Person, save and except as against Rabobank Nederland, Canadian Branch in its capacity as agent (the "Agent") for itself and for Credit Union Central of Ontario Limited and Hepcoe Credit Union Limited (collectively, the "Senior Lenders")

15. THIS COURT ORDERS that the Applicants shall pay or remit in accordance with legal requirements, all Crown Priorities which accrue on or after the date hereof until further Order of this Court.

16. THIS COURT ORDERS that the Applicants shall pay or remit all future premiums for directors' and officers' liability insurance and otherwise maintain the existing coverage in force and renew same on commercially reasonable terms upon the expiry of the current period of coverage, with the intent that such insurance on the current terms of the current policy remain available to the Directors until all potential claims are dealt with or otherwise extinguished by law.

17. THIS COURT ORDERS that the Applicants shall pay the reasonable fees and disbursements on a substantial indemnity basis of counsel to the Directors in connection with these proceedings or in the preparation therefore, including without limitation in relation to any proceedings brought against any Director in such capacity seeking to assert claims against them relating in any way to the Directors Charge as defined herein.

18. THIS COURT ORDERS that after the date hereof the Applicants shall pay all reasonable expenses incurred by the Applicants in carrying on their business and carrying out the provisions of this Order, which expenses, pending any further Order of this Court, may include, without limitation, payment of:

- (a) the reasonable fees and disbursements of the Monitor, including the reasonable fees and disbursements on a substantial indemnity basis of counsel retained by the Monitor;
- (b) the reasonable fees and disbursements on a substantial indemnity basis of counsel, accountants and consultants retained by the Applicants in respect of these proceedings;
- (c) the reasonable fees and disbursements of counsel to the Applicants on a substantial indemnity basis;
- (d) all future amounts due by the Applicants under any charge-credit or debit card arrangements involving American Express, MasterCard, Visa or other charge, debit or credit card companies; and
- (e) any other amounts provided for by the terms of this or any further Order of this Court.

19. THIS COURT ORDERS that, subject to the terms of this Order and subject to the terms of the Credit Agreement and the Security and the CCAA Lender's Charge (as defined below) the Applicants shall be entitled to continue to use all amounts collected during the Stay Period for the purpose of funding operating requirements in accordance with the terms of this Order, in addition to amounts borrowed from the CCAA Lender pursuant to the terms of this Order. Notwithstanding the foregoing, the Applicants shall not be permitted to utilize for their operating requirements any funds held by the Applicants which represent pre-payments made to the Applicants by a franchisee, including but not limited to, funds received for advertising in respect of the future use of any of the Applicants' Property.

RESTRUCTURING

20. THIS COURT ORDERS that the Applicants shall have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their operations or locations and to make provision for any consequences thereof in the plan of compromise or arrangement under the CCAA (the "Plan");
- (b) dispose of or sell any inventory or redundant or non-material assets, not to exceed \$10,000.00 in any one transaction or series of connected transactions without prior court approval, and to make provision for any consequences thereof in the Plan;
- (c) terminate the employment or temporarily lay off such of its employees as it may deem necessary or appropriate and to make provision for any consequences thereof in the Plan or, subject to prior Court approval, to make any other provision for same;
- (d) pursue all avenues of re-financing and offers to purchase all or part of its business or Property, subject to the approval of the court being obtained prior to completing any such transaction;
- (e) subject to payment of occupation rent in accordance with this Order, terminate any lease and any ancillary agreements relating to any Leased Premises or abandon any Leased Premises on seven (7) days' notice in writing to the relevant landlord and the Monitor on such terms as may be agreed upon between the Applicants and such landlord and, failing agreement, on terms the Applicants deem appropriate, and to make provision for any consequences thereof in the Plan; provided that the Applicants may remain in occupation of such Leased Premises (or portions retained) despite such termination so long as it pays occupation rent in accordance with the terms of this Order;
- (f) terminate such of its arrangements or agreements of any nature whatsoever, whether oral or written, as the Applicants deem necessary or appropriate without

approval of this Court and to make provision for any consequences thereof in the Plan;

- (g) wind down or bankrupt any subsidiary with the consent of the Agent;
- (h) repudiate such dealer or franchise agreements, subleases, sign rental agreements and trademark license agreements as the Applicants deem necessary for the proper restructuring of the business and immediately retake possession of premises subleased to a franchisee, repossess any signage previously rented by a franchisee, and take reasonable steps to protect the goodwill associated with the Applicants' trade names including the prohibition of any future use by a franchisee of any items owned by a franchisee bearing the Applicants' trademarks, on such terms as may be agreed upon between its Applicants and such dealer or franchisee, or failing such agreement, to deal with the consequences thereof in the Plan;
- (i) take such other steps for the purpose of conserving cash, limiting expenses or increasing and preserving the value of any of the Property as the Applicants deem necessary or appropriate; and
- (j) prepare a tender package and take any other steps deemed necessary by the Applicants to solicit an offer or offers to purchase some or all of the Applicants' assets or business;

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of their business and affairs (the "Restructuring").

21. THIS COURT ORDERS that, subject to the rights of the Senior Lenders under the Security, the Applicants shall have the right to remove any or all property and equipment belonging to the Applicants, including all exterior and interior signs and identifications, from any leased premises which the Applicants have vacated, abandoned or quit without interference of any kind from any third party, including its dealers, franchisees, landlords or the landlord's

property manager, notwithstanding the provisions of any lease, other instrument or law affecting or limiting the rights of the Applicants to remove inventory or equipment from leased premises.

22. THIS COURT ORDERS that, subject to the provisions of this Order, the Applicants shall be permitted to carry on their business wherever situate without any interference of any kind from any Person, in such manner as the Applicants deem suitable or desirable for the purpose of the Restructuring.

23. THIS COURT ORDERS that the Applicants are hereby required to provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures or other property other than in the ordinary course of business from any Leased Premises closed and abandoned (in whole or part) by the Applicants at least seven (7) days prior to the date of intended removal. The relevant landlord shall be entitled to have a representative present in the Leased Premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any item under the provisions of the Leased Premises, such item shall remain on the Leased Premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court on seven (7) days' notice to such landlord. If the Applicants have otherwise vacated the Leased Premises, they shall not be considered to be in occupation of such Leased Premises pending resolution of any such dispute.

24. THIS COURT ORDERS that if any Leased Premises (or a portion thereof) is vacated or abandoned by the Applicants, in accordance with the provisions of the Order, the relevant landlord shall be entitled to take possession of any such Leased Premises without waiver of or prejudice to any claims or rights of such landlord against the Applicants in respect of the vacating or abandonment of such Leased Premises or portion thereof and such landlord shall be entitled to notify the Applicants of the basis on which it is taking possession and to gain possession of and lease any such Leased Premises to third parties on such terms as any such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation, if any, to mitigate any damages claimed in connection therewith.

PLAN OF ARRANGEMENT

25. THIS COURT ORDERS that the Applicants are hereby authorized and permitted to file with this Court the Plan on or before the expiry of the Stay Period.

26. THIS COURT ORDERS that the Applicants shall apply to this Court for an Order specifying the materials necessary to summon and convene meetings between the Applicants and their respective classes of creditors under the Plan to consider and approve the Plan.

CORPORATE GOVERNANCE

27. THIS COURT ORDERS that the Applicants shall and do hereby indemnify the Directors, the Monitor, counsel to the Monitor and counsel to the Applicants of and from all claims, liabilities and obligations of any nature whatsoever, including, without limitation, legal fees and disbursements on a substantial indemnity basis, which may arise out of their involvement with the Applicants, the Restructuring or the Plan, from and after the date hereof in the above-mentioned capacities, save and except as may arise from wilful misconduct or negligence on the part of any of them.

28. THIS COURT ORDERS that no Person shall commence or continue with any Proceedings against any of the Directors, the Monitor, counsel to the Monitor or counsel to the Applicants for or in respect of any act or omission taken in this proceeding or for or in respect of the Restructuring or the creation and implementation of the Plan, without first obtaining the leave of this Court on ten (10) days' notice to the Applicants and all putative defendants referred to in this paragraph.

MONITOR

29. THIS COURT ORDERS that, until further Order of this Court, Doyle Salewski Inc. (the "Monitor") be and is hereby appointed as an officer of this Court to monitor the business and affairs of the Applicants with the powers and obligations hereafter set forth and that the Applicants and all other persons upon whom this Order is served shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations. Without limiting the

generality of the foregoing, all Persons upon whom this Order is served shall provide the Monitor with such access to the Applicants' books, records, assets and premises as the Monitor requires in order to exercise its powers and perform its obligations under this Order.

30. THIS COURT ORDERS that the Monitor shall, in addition to the duties and functions referred to in section 11 of the CCAA:

- (a) be at liberty and is hereby authorized and empowered to monitor the business, financial affairs and operations of the Applicants, including all receipts and disbursements;
- (b) report and consult with the Senior Lenders including Zeifman Partners Inc. ("Zeifman");
- (c) assist Zeifman in obtaining reasonable access to the Applicants' financial and strategic information including reasonable access to the premises of the Applicants and reasonable access to management of the Applicants;
- (d) advise the Applicants in connection with the Restructuring, the development of the Plan, any amendments to the Plan and the implementation of the Plan;
- (e) is empowered to develop a claims process;
- (f) assist the Applicants with the holding and administering of any meetings for voting on the Plan and act as chair at any such meetings;
- (g) inquire into and report to the creditors of the Applicants, at or prior to any meetings to consider the Plan, upon the financial condition and prospects of the Applicants in such manner and at such time as the Monitor may deem necessary or appropriate or as this Court may direct;
- (h) be at liberty to engage legal counsel to advise and represent the Monitor in relation to the exercise of its powers and discharge of its obligations under this Order;

- (i) be at liberty to engage such other agents as the Monitor deems necessary respecting the exercise of its powers and performance of its obligations;
- (j) report to this Court as the Monitor deems necessary or appropriate, or as this Court directs, in respect of the Restructuring, the Plan or the business of the Applicants or in respect of such other matters as may be relevant to the proceedings herein;
- (k) assist the Applicants in the dissemination of financial and other information which may be used in these proceedings;
- (l) advise the Applicants in their preparation of the Applicants' cash flow statements and other financial reporting;
- (m) be at liberty to retain and use the services of related Doyle Salewski Inc. entities as may be necessary to perform the Monitor's duties hereunder; and
- (n) perform such other duties as are required by this Order or further Order of this Court.

31. THIS COURT ORDERS that the Monitor may provide the Applicants' creditors with information in response to reasonable requests for information made in writing by any of the creditors addressed to the Monitor however, in the case of information which the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court.

32. THIS COURT ORDERS that the reasonable fees and disbursements of the Monitor on the basis of a chartered accountant and its own client (including solicitor and client fees and disbursements of any counsel retained by the Monitor) and the reasonable fees and disbursements of any counsel to the Applicants on a substantial indemnity basis, whether incurred before or after the making of this Order, shall be paid by the Applicants. The reasonable fees and disbursements of the Monitor, and of counsel to each of the Applicants and the Monitor shall be secured by a second ranking priority charge upon all of the present and

future Property of the Applicants (the "Administrative Charge") up to the principal limit of \$150,000.00.

33. THIS COURT ORDERS that the Monitor shall not be deemed, as a result of this Order, to be in Possession of any of the Property or the Leased Premises, as defined in, and within the meaning of any, Environmental Laws.


34. THIS COURT ORDERS that the Monitor shall incur no liability or obligation as a result of its appointment or the fulfilment of its duties in carrying out the provisions of this Order, save and except for any wilful misconduct or negligence on its part. The liability of the Monitor shall, in any event, not exceed the quantum of the fees paid to or incurred by the Monitor in connection with this matter.

35. THIS COURT ORDERS that the Monitor is not obligated or empowered to take possession of the Property or to manage any of the Applicants' business or affairs and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Property, or any part thereof, shall not constitute an employer or successor employer or payor for any purpose whatsoever, and shall not occupy any premises except in such circumstances as the Monitor deems necessary. The Monitor shall not be personally liable for any of the obligations of the Applicants.

36. THIS COURT ORDERS that the appointment of the Monitor shall not disqualify it from being appointed receiver, interim receiver, receiver and manager of the Applicants or as trustee in bankruptcy of the Applicants pursuant to any security agreement or pursuant to any further Order of this Court should it consent to such appointment.

DIRECTORS' CHARGE

37. THIS COURT ORDERS that, in addition to any existing indemnities, the Applicants shall and do hereby indemnify each of the Directors (which for the purposes of this paragraph, for greater certainty, shall include all persons having actual or deemed or defacto director or officer liabilities) of the Applicants from (i) all costs, claims, disputes, liabilities, charges, expenses and obligations of any nature whatsoever (including, without limitation, legal fees on a full indemnity basis) ("Claims") which may arise from any future claims, disputes, liability,

charges, expenses and obligations relating to the failure of the Applicants to at any time pay their obligations; (ii) all Claims which the Directors sustain or incur from their respective involvement with the Applicants, any sale of the Applicants of all or any part of the Property from and after the date of this Order in the above mentioned capacities save and except as may arise from the willful misconduct or gross negligence of such Director; and (iii) all reasonably ^{fees} fees and disbursements on a substantial indemnity basis of Director's counsel. 

38. THIS COURT ORDERS that each of Directors of the Applicants shall be entitled to the benefit of and are hereby granted a third ranking priority, security interest, fixed charge, mortgage and lien in the maximum aggregate amount of \$1,000,000.00 (the "Directors' Charge") upon the present and future Property of the Applicants as security for the indemnity provided in this Order, but such Directors' Charge shall only apply to the extent that the Directors do not have coverage or are not in fact covered under the provisions of any applicable directors' and officers' or fiduciary insurance. In respect of any Claim that is asserted against the Directors of the Applicants, if the Directors against whom the Claim is asserted (collectively, "Respondent Directors") do not receive satisfactory confirmation from the applicable insurer within 21 days of delivery of notice of the Claim to the applicable insurer confirming that the applicable insurer will provide coverage for and indemnify the Respondent Directors against the full amount of the Claim if successfully brought, then, without prejudice to the subrogation rights hereinafter referred to, the Applicants shall pay the amount of the Claim as it becomes payable by the Respondent Directors and, failing such payment, the Respondent Directors shall be entitled to enforce the Directors' Charge; provided that the Respondent Directors shall reimburse the Applicants (or, in the event that all or substantially all of the Applicants' assets are transferred pursuant to the Plan, the entity to which such assets are transferred) to the extent that they subsequently receive insurance proceeds in respect of a Claim paid by the Applicants, and provided further that the Applicants shall, in the event of such payment being made, be subrogated to the rights of the Respondent Directors to pursue recovery thereof from the applicable insurer as if no such payment had been made; and that the foregoing shall not constitute a contract of insurance and shall not constitute other valid and collectible insurance as such term may be used in any existing policy of insurance issued in favour of the Applicants, or any of its Directors.

39. THIS COURT ORDERS that the Directors' Charge shall be personal to the Directors and no Person shall be entitled to claim a right of subrogation with respect to the Directors' Charge notwithstanding any contract, policy, agreement or any legal, equitable or statutory right or principal which may otherwise extend such right.

POWER TO BORROW

40. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to enter into an agreement with, and borrow such monies from, the CCAA Lender from time to time as the Applicants may consider necessary or appropriate, up to the principal sum of \$500,000.00, subject to the position of the Senior Lenders and subject to Court approval of the term sheet and DIP loan agreement on a subsequent attendance. Any increase in the amount borrowed shall be approved by further Order of this Court, on such terms as may be agreed with the CCAA Lender to fund the ongoing operations and expenditures of the Applicants and to pay such other amounts as are permitted by the terms of this Order.

41. THIS COURT ORDERS that the monies borrowed by the Applicants from the CCAA Lender, together with interest, fees, charges, and other amounts payable in respect thereof, shall be secured by a charge in the priority described herein on all of the Property of the Applicants (the "CCAA Lender's Charge"). The Applicants are hereby authorized and directed to execute and deliver such documents in favour of the CCAA Lender to document the CCAA Lender's Charge as the Applicants and the CCAA Lender may agree. The CCAA Lender's Charge and all amounts owing by the Applicants to the CCAA Lender from time to time secured by the CCAA Lender's Charge shall not be subject to or comprised in any way by any Plan.

42. THIS COURT ORDERS that the priority of the charges affecting the Property of the Applicants pursuant to this Order shall be as follows:

- (a) first, the CCAA Lender's Charge, limited to the amount of \$500,000.00;
- (b) second, the Administrative Charge, limited to the amount of \$150,000.00;
- (c) third, the Directors' Charge, limited to \$1,000,000.00;

- (d) fourth, the claims of the Senior Lenders pursuant to the Credit Agreement and the Security, and any charge upon the Applicants' assets, property and undertaking; and
- (e) thereafter, all remaining existing charges and encumbrances in accordance with the priorities established at law.

The parties in whose favour the charges referred to in (a) through (e) inclusive relate may, but need not, ~~and shall not be required to~~ file, register, record or perfect their respective charges provided in this Order but the charges and priorities described herein shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected prior to or subsequent to the charges provided for in this Order coming into existence notwithstanding any such failure to file, register, record or perfect any such charge. JEC

43. THIS COURT ORDERS that the Applicants shall not grant or borrow any monies or incur any obligations secured by any liens, charges or encumbrances over the Property ranking *pari passu* with or in priority to the Administrative Charge, the Directors' Charge or the CCAA Lender's Charge or the Security held by the Senior Lenders without the prior written consent of the Monitor, counsel to the Applicants, the Directors and the CCAA Lender. Any advances made or obligations incurred and any liens, charges or encumbrances granted by the Applicants contrary to this Order shall be subordinate in all respect to the Administrative Charge, the Directors' Charge, the CCAA Lender's Charge and all other charges and encumbrances existing prior to the date of this Order.

44. THIS COURT ORDERS that, notwithstanding,

- (a) these proceedings and the declarations of insolvency made herein;
- (b) any petitions for receiving orders hereafter issued pursuant to the BIA in respect of the Applicants and any receiving orders issued pursuant to such petitions or any assignment under the BIA being made or deemed to have been made;
- (c) the provisions of any federal or provincial statute; and

(d) any other Proceedings;

the Administrative Charge, the Directors' Charge, and the CCAA Lender's Charge shall be deemed to be valid and enforceable and will not be void or voidable to or by a trustee in bankruptcy of the Applicant, creditors, shareholders or any other claimants and specifically, without limitation, notwithstanding any negative covenants, prohibitions or other similar provisions with respect to incurring debt or the creation of liens or security contained in any existing agreement between the Applicants and any Person and that, notwithstanding any provision to the contrary in such agreements, (i) neither the creation of the Administrative Charge, the Directors' Charge, or the CCAA Lender's Charge nor the execution, delivery, perfection or registration of any security agreement to document same shall create or be deemed to constitute a breach by the Applicants of any agreement to which it is a party, and (ii) neither the Monitor, or counsel to the Monitor, counsel to the Applicants, the Directors nor the CCAA Lender shall have any liability to any Person whatsoever as a result of any breach of any agreement caused by or resulting from the creation by the Applicants of the Administrative Charge, the Directors' Charge, and the CCAA Lender's Charge or the execution, delivery, perfection or registration of any security agreement to document all or any of those charges.

45. THIS COURT ORDERS that the creation of the Administrative Charge, the Directors' Charge and the CCAA Lender's Charge and any payments made by the Applicants thereunder, and any agreements, instruments, or other documents delivered pursuant to this Order do not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable or reviewable transactions under any applicable law.

46. THIS COURT ORDERS that notwithstanding any subsequent receivership, bankruptcy or other proceedings, the Administrative Charge, the Directors' Charge, and the CCAA Lender's Charge created herein shall remain in the priorities set out herein and any other charges created by subsequent Order in this or any other proceeding shall rank behind these charges.

47. THIS COURT ORDERS that the granting of the CCAA Lender's Charge to the CCAA Lender and any security to be delivered by the Applicants to the CCAA Lender, the payment of all amounts owing by the Applicants to the CCAA Lender, including all principal, interest, costs

of enforcement and any other fees and any steps taken by the CCAA Lender to register or otherwise perfect any security delivered to the CCAA Lender by the Applicants, do not constitute settlements, reviewable transactions, fraudulent preferences, fraudulent conveyances, conduct meriting an oppression remedy, or other transactions which might be challenged or reviewed under applicable federal or provincial legislation including, without limitation, the BIA.

48. THIS COURT ORDERS that the CCAA Lender's Charge, the Administrative Charge, Directors' Charge, and any security granted by the Applicants to the CCAA Lender shall be binding upon and rank in priority to the interests of a trustee in bankruptcy of the Applicants, a receiver, receiver/manager or any other officer which may be appointed by this Honourable Court.

CONVERSION OF THE BIA PROPOSAL

49. THIS COURT ORDERS that the proceedings commenced by the Applicants on July, 13, 2004, under Part III of the BIA are hereby continued pursuant to section 11.6 of the CCAA. The actions of Doyle as proposal trustee up and to and including the date of this Order are hereby authorized and approved. Doyle is hereby discharged as proposal trustee and from any and all requirements that it would otherwise have to carry out under the BIA. For greater certainty, all powers, duties, rights and obligations with respect to Doyle are hereby contained in this Order and the provisions of the CCAA.

NO PAYMENT TO CREDITORS

50. THIS COURT ORDERS that, except as otherwise permitted in this Order the Applicants are hereby directed, until further Order of this Court, to make no payments, whether of principal, interest thereon or otherwise, on account of amounts owing by the Applicants to any of their creditors as of this date.

GENERAL TERMS

51. THIS COURT ORDERS that the Applicants and, if requested by the Applicants, the Monitor shall, forthwith upon the making of this Order, send a letter to all known creditors of the Applicants having claims in excess of \$1,000 and third parties having direct dealings with the Applicants advising such parties of the applications filed by the Applicants, the general terms of the Order and the sources whereby the creditors may obtain additional information about the application made by the Applicants.

52. THIS COURT ORDERS that, notwithstanding any other provision of this Order, the Applicants may apply at any time to this Court to seek any further relief and any interested Person may apply to this Court to vary or rescind this Order or seek other relief on three (3) clear days' written notice to the Applicants, the Monitor, and to any other Person likely to be affected by the Order sought or on such other notice, if any, as this Court may Order.

53. THIS COURT ORDERS that the protection afforded by s. 142 of the *Courts of Justice Act* (Ontario) shall apply to the Applicants, the Directors, the Monitor, the CCAA Lender and their respective solicitors and agents who, in good faith, do any act in accordance with the terms of this or any further Order of this Court.

54. THIS COURT ORDERS AND REQUESTS the aid and recognition of any court and of any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to section 17 of the CCAA) and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada, the legislature of any province or otherwise and any Court or any judicial, regulatory or administrative body of the United States of America or any other nation to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

55. THIS COURT ORDERS that for the purposes of seeking the aid and recognition of any court or any judicial, regulatory or administrative body outside of Canada, the Monitor shall act and be deemed to be the foreign representative of the Applicants.

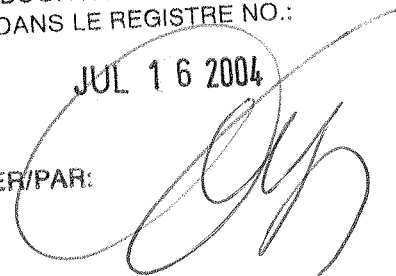
56. THIS COURT ORDERS and declares that this Order shall be effective as of 12:01 a.m. on the date hereof and that any Rights exercised or purported to be exercised by any Person on this date which would be contrary to the terms of this Order are of no force and effect and are null and void.



ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JUL 16 2004

PER/PAR:



SCHEDULE 1

IN THIS ORDER, the following terms shall have the following meanings:

"Applicants" means Afton Food Group Ltd., Afton Food Group Inc., Joint Technologies Inc., Kedard Holdings Ltd., Robin's Foods Inc., Mrs. Powell's (Canada) Inc., 241 Pizza (1997) Inc., Ruffage International Inc., Cybersensations Café Inc., Mrs. Powell's, Inc. and Kidsports Capital Corporation and **"Applicant"** means any one of the Applicants.

"CCAA Lender" means such Person providing new advances of money after the date hereof, at such times, on such terms and in such amounts as the Applicants may agree, all in accordance with the terms of this Order.

"Court" means the Ontario Superior Court of Justice.

"Credit Agreement" means the amended and restated credit agreement made as of October 23, 2003, among the Applicants and Rabobank Nederland, Canadian Branch, Credit Union Central of Ontario Limited and Hepcoe Credit Union Limited.

"Crown Priorities" mean all amounts payable by statute, regulation, or administrative order, whether federal, provincial or municipal, for which the Directors bear personal liability and including without limitation:

- (a) all amounts payable by statute in favour of Her Majesty the Queen in right of Canada or any province or territory thereof or any taxation authority in any Canadian or foreign jurisdiction which were or which are required to be deducted from employees' wages including, without limitation, amounts in respect of employment insurance, Canada Pension Plan and income taxes with respect to employees;
- (b) all accruing amounts payable by the Applicants in respect of employment insurance, Canada Pension Plan and Quebec Pension Plan, workers compensation, employer health taxes and similar obligations of any Canadian or foreign jurisdiction with respect to the employees;

- (c) all goods and services or other applicable sales taxes accruing on or after the date of this Order payable by the Applicants directly or on behalf of Persons with whom they do business;
- (d) all other amounts, if any, payable by statute in favour of Her Majesty the Queen in right of Canada or a province that is subject to a statutory deemed trust, charge, or lien;
- (e) to the extent that they bear personal liability on Directors, all outstanding and future wages, salaries, commissions, employee pension benefits and other employee benefits, employee retirement plans, vacation pay and other like amounts accruing due to or in respect of employees including the reimbursement of business expenses legitimately incurred by employments in the ordinary course; and
- (f) all other amounts for which the Directors bear personal liability.

arising after the date of this Order.

"Directors" means any present or future directors and/or officers of the Applicants and which term shall include any individual deemed to be a director or officer under any applicable law or who have any present or future liabilities of directors and officers or deemed directors and officers by virtue of acting in a director or officer-like capacity in relation to the Applicants or any other Person who, at the date of this Order, or hereafter, manages or supervises the business and affairs of the Applicants and who could in law be found liable for the payment of any obligations or liabilities of the Applicants.

"Directors' Charge" is defined in paragraph 40 of this Order

"Enforcement" means any step, proceedings or action taken by any Person to commence or continue enforcement, realization, attornment of rents, termination or collection proceedings in respect of any encumbrance, tax, lien, security interest, charge, license, lease, agreement, mortgage, guarantee, debenture, hypothecation, pledge or other security held in relation to, or any trust attaching to, any of the Property, including without limitation:

- (a) the right of any Person to take any step in asserting, perfecting or registering any right or interest;
- (b) any right to terminate, limit, restrict, qualify or alienate any licence, lease or right, whether as to ownership or otherwise;
- (c) any right of distress, repossession or consolidation of accounts in relation to amounts due or accruing due in respect of or arising from any indebtedness or obligation of the Applicant;
- (d) any right to take possession of, exercise rights of garnishment, seizure, forfeiture or termination of any rights, privileges, agency arrangement, distribution agreements, publishing agreement, author's agreement, leases or licences; and
- (e) any right to restrain the use of, foreclosure upon or otherwise realize upon or deal with any of the Property.

"Environmental Laws" or "Environmental Liabilities" means the legislation, or rule of law or equity in any jurisdiction affecting the environment or the transportation of goods or hazardous waste ~~is known collectively as~~ *etc*

"Leased Premises" means the present or future occupation by the Applicants of any premises whether leased, subleased or occupied by the Applicants pursuant to any oral or written agreement and all ancillary arrangements or agreements, whether in its own capacity or on behalf of another, whether directly or indirectly, as principal or agent, beneficially or otherwise or held by others for the benefit of the Applicant.

"Monitor" means Doyle Salewski Inc.

"Person" means any individual, partnership, body corporate, banker, vendor, customer, partner, agent, associate, client, supplier, author, publisher, contractor, subcontractor, lender, custom broker, landlord, equipment lessor, sub-landlord, tenant, licensor, licensee, co-owner, joint venture partner, co-venturer, bailee, distributor or their agent, deliver company, agent or person with the Applicants has or has business dealings, contractual or otherwise, governments of any nation, province, state or municipality or any other entity exercising executive, legislative,

regulatory or administrative functions in Canada or elsewhere and any entity owned or controlled by or which is the agent or representative of any of the foregoing or by any other individual, partnership, corporation or other entity wherever situate or domiciled.

"Proceeding" means a suit, action, application, enforcement process, grievance, extra-judicial proceeding or other proceeding of any kind.

"Property" means all property, assets and undertaking of the Applicants or in which the Applicants have any right, title or interest of any kind, real or personal, legal or beneficial, whether now existing or hereafter acquired, wherever located, whether held by the Applicants, in whole or in part, directly or indirectly, as principal, agent, licensee, purchaser, nominee, trustee or otherwise, or held by others for the benefit of the Applicants including any property of the Applicants held by any other Person and including all Rights and including all proceeds in connection with the foregoing.

"Rights" means the right of any Person to assert, enforce or exercise any right, option or remedy available to it, including, without limitation, any right of dilution, buy-out, divestiture, pre-emptive right of purchase, option to purchase on default, forced sale, ability to return goods, acceleration, termination, any qualifications, guarantees given to third parties, registration or lending arrangements, including:

- (a) any rights arising under or in respect of any arrangement or proceeding or agreement to which the Applicants are a party or in which the Applicants have an interest (including, without limitation, any security agreement, mortgage, contract, letter of credit or guarantee, partnership agreement, management agreement, lease, marketing agreement, agency agreement, franchise agreement, licence agreement, distribution agreement, publishing agreement, author's agreement, royalty agreement, concession agreement, shareholders' agreement, joint venture agreement, co-ownership agreement, operating agreement or any agreement of purchase and sale);
- (b) where such rights arise out of, relate to or are triggered by the occurrence of any default or non-performance by the Applicants thereunder, the making of this Order or the commencement of these proceedings;

- (c) the right to make any demand, the right to send any notice, the right to crystallize any security interest or terminate any right;
- (d) the right to exercise any pre-emptive first right;
- (e) the right to accelerate the repayment of any outstanding indebtedness;
- (f) the right to terminate or to accelerate rent, fees or other payments due under any lease;
- (g) the right to any holder of any debt, loan or securities of the Applicants to convert such debt, loan or securities to other securities or Property of the Applicants; and
- (h) the right of any Person to register or re-register any securities owned by the Applicants into the names of such Persons or their nominees or the exercise of any voting rights attaching to any securities owned beneficially or otherwise by the Applicants; and
- (i) the right to interfere with the Applicants' quiet possession in respect of or otherwise deal with the Property or any Leased Premises pursuant to which the Applicants are a tenant, or any contract or agreement to which the Applicants are a party.

"**Security**" means the respective general security agreements executed by the Applicants on March 31, 2000, in favour of the Agent, with the exception of Joint Technologies Inc., who executed a general security agreement in October 2001 in favour of the Agent. *and other agreements*

"**Services**" means arrangements or agreements, written or oral, with the Applicants, whether the Applicants are acting as principal, agent or as nominee, for the supply and maintenance of rights, goods and/or services or monies, grants and financial support by or to the Applicants or to any of the Property whether managed or held by the Applicants in whole or in part, directly or indirectly, as principal, agent, licensee or nominee, trustee or otherwise, including, without limitation, equipment leases, supply contracts, licence agreements, distribution agreements, royalty agreements, publishing agreements, author agreements, marketing agreements, storage agreements, delivery agreements, purchase agreements, consignment agreements, insurance contracts, concession agreements, conditional sales contracts, charge, credit and debit card agreements, bank and other operating accounts, transportation contracts, computer software and support systems, supply contracts, maintenance and service contract, access or sharing of premises or common facilities arrangements with respect to any of the Applicants' Property,

locations services (including telephone, facsimile, internet or other numbers an on the present lines used by the Applicants or Leased Premises, utility or required communication services at the present in respect of nay of the Property), the furnishing of water, heat or electricity, the supply of equipment, computer software, hardware support and internet, electronic mail and other data services.

"Stay Period" is defined in paragraph 5 of this Order.

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF AFTON FOOD GROUP LTD., AFTON FOOD GROUP INC., JOINT
TECHNOLOGIES INC., KEDARD HOLDINGS LTD., ROBIN'S FOODS INC.,
MRS. POWELL'S (CANADA) INC., 241 PIZZA (1997) INC., RUFFAGE INTERNATIONAL
INC., CYBERSENSATIONS CAFÉ INC., MRS. POWELL'S, INC. and KIDSPORTS
CAPITAL CORPORATION

Court File No. 04-CL-5491

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)
Proceeding commenced at Toronto

INITIAL ORDER

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Solicitors for the Applicants

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

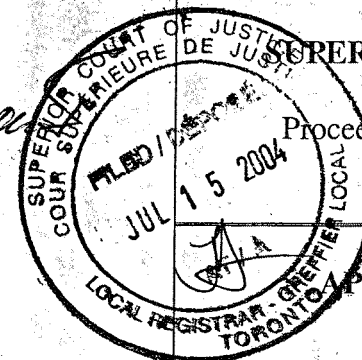
July 16/04

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF AFTON FOOD GROUP LTD., AFTON FOOD GROUP INC., JOINT
TECHNOLOGIES INC., KEDARD HOLDINGS LTD., ROBIN'S FOODS INC.,
MRS. POWELL'S (CANADA) INC., 241 PIZZA (1997) INC., RUFFAGE INTERNATIONAL
INC., CYBERSENSATIONS CAFÉ INC., MRS. POWELL'S, INC. and KIDSPORTS
CAPITAL CORPORATION

Court File No. 04-CL-5491

16 Jul 04

Initial Order as Requested by me
Ernest D. Chulov



ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)
Proceeding commenced at Toronto

APPLICATION RECORD

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