
ROYAL DOULTON CANADA LIMITED

as Corporation

in favour of

BANK OF AMERICA, N.A.

as Security Trustee

SECURITY AGREEMENT

December 15, 2005

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SECURITY AGREEMENT

Security Agreement dated December 10, 2005 made by Royal Doulton Canada Limited, a corporation incorporated under the laws of the Province of Ontario (the "Corporation"), to and in favour of Bank of America, N.A., in its capacity as intercreditor agent and security trustee for the Creditors (the "Security Trustee").

RECITALS:

(a) Certain Senior Creditors (as defined in the Intercreditor Deed, as herein defined, (the "Senior Creditors")) have agreed from time to time to make certain credit facilities available to Waterford Wedgwood PLC ("Waterford Wedgwood") and certain of its Affiliates under and in accordance with the terms and conditions contained in a facility agreement dated December 10, 2005 (such facility agreement, as amended, supplemented, restated or replaced from time to time, the "Facility Agreement");

(b) Waterford Wedgwood has also issued notes under an indenture dated December 1, 2003 entered into between Waterford Wedgwood, certain of its Affiliates, The Bank of New York, London, as bond trustee (the "HY Bonds Trustee"), and Kredietbank S.A. Luxembourgeoise, as Luxembourg paying agent (such indenture, as supplemented and as the same may be further amended, supplemented, restated or replaced from time to time, the "HY Bond Indenture");

(c) As a condition precedent to the extension of such credit facilities under the Facility Agreement and as a requirement under the HY Bond Indenture, the Creditors (as defined in the Intercreditor Deed, as herein defined, (the "Creditors")) have requested that the Corporation, and the Corporation has agreed to, *inter alia*, execute and deliver this security agreement to and in favour of the Security Trustee as security for the payment and performance of the Corporation's obligations to the Creditors under the Facility Agreement, the HY Bond Indenture, the Intercreditor Deed and any other Credit Document to which it may become a party from time to time; and

(d) Pursuant to an intercreditor and security trust agreement dated December __, 2005 entered into among, *inter alia*, Waterford Wedgwood, certain of its Affiliates, the HY Bonds Trustee and the Security Trustee (such agreement, as amended, supplemented, restated or replaced from time to time, the "Intercreditor Deed"), the Security Trustee is to, *inter alia*, act as intercreditor agent and security trustee and hold in trust for the rateable benefit of itself and the other Creditors, and any and all Security Documents, including this Security Agreement.

In consideration of the foregoing and other good and valuable consideration (the receipt and adequacy of which are acknowledged), the Corporation agrees as follows:

ARTICLE 1 – SECURITY

1.1 Terms Incorporated by Reference.

Unless otherwise specified herein, terms defined in the *Personal Property Security Act* (Ontario) (as amended from time to time, the "PPSA") and used in this Security Agreement shall have the same meanings in this Security Agreement. Capitalized terms used in this Security Agreement

(including the recitals hereto) and not otherwise defined shall have the meanings specified in the Intercreditor Deed.

1.2 Grant of Security.

Subject to Section 1.5, the Corporation hereby grants to the Security Trustee for the rateable benefit of itself and the other Creditors, by way of security interest, pledge, charge, assignment and hypothec, a security interest in all the Corporation's right, title and interest in and to all of the property, assets and undertaking of the Corporation now owned or hereafter acquired (collectively, the "Collateral") including, without limitation, any and all of the Corporation's:

- (a) inventory including goods held for sale, lease or resale, goods furnished or to be furnished to third parties under contracts of lease, consignment or service, goods which are raw materials or work in process, goods used in or procured for packing and materials used or consumed in the business of the Corporation;
- (b) equipment, machinery, furniture, fixtures, plants, vehicles and other goods of every kind and all licences and other rights and all records, files, charts, plans, drawings, specifications, manuals and documents relating thereto;
- (c) debts, accounts and claims due or accruing due and all agreements, books, accounts, invoices, letters, documents and papers recording, evidencing or relating thereto;
- (d) money, documents of title, chattel paper instruments and securities;
- (e) intangibles including all security interests, goodwill, choses in action and other contractual rights and benefits under all contracts and agreements to which it is a party and in respect of each of its bank accounts, including, without limitation, the bank accounts listed in Schedule "A", and all trade marks, trade mark registrations and pending trade mark applications, patents and pending patent applications and copyrights and other intellectual property of whatever nature and kind, including, without limitation, the intellectual property listed in Schedule "B" (collectively, the "Intellectual Property"), provided that nothing herein shall create or effect an assignment of trade marks;
- (f) substitutions and replacements of and increases, additions and, where applicable, accessions to the property described in Section 1.2(a)- Section 1.2(e) inclusive; and
- (g) proceeds in any form derived directly or indirectly from any dealing with all or any part of the property described in Section 1.2(a)- Section 1.2(f) inclusive or the proceeds of such proceeds.

1.3 Obligations Secured.

- (a) The pledges, charges, assignments, hypothecs and security interests granted hereby (the "Security Interest") secure the payment and performance of all debts, liabilities and obligations present or future, direct or indirect, absolute or

contingent, matured or unmatured, at any time or from time to time due or accruing due and owing by or otherwise payable by the Corporation to the Security Trustee and the other Creditors, in any currency, and whether incurred by the Corporation alone or with others, together with all interest accrued thereon, arising out of, in connection with or pursuant to the Facility Agreement, the HY Bond Indenture, the Intercreditor Deed or any other Credit Document to which the Corporation is a party from time to time (collectively, and together with the expenses, costs and charges set out in Section 1.3(b), the "Obligations").

- (b) All expenses, costs and charges incurred by or on behalf of the Security Trustee and the Creditors in connection with this Security Agreement, the Security Interest or the Collateral that the Corporation is obligated to pay pursuant to any Credit Document shall be added to and form a part of the Obligations.

1.4 Attachment.

- (a) The Corporation acknowledges that (i) value has been given, (ii) it has rights in the Collateral (other than after-acquired Collateral), (iii) it has not agreed to postpone the time of attachment of the Security Interest, and (iv) it has received a duplicate Original copy of this Security Agreement.
- (b) If the Corporation acquires Collateral consisting of chattel paper, instruments, securities or negotiable documents of title (collectively, "Negotiable Collateral"), the Corporation will, promptly following the request of the Security Trustee, deliver to the Security Trustee the Negotiable Collateral and shall (i) cause the transfer of the Negotiable Collateral to the Security Trustee to be registered wherever, in the opinion of the Security Trustee, such registration may be required or advisable, (ii) duly endorse the same for transfer in blank or as the Security Trustee may direct, and (iii) immediately deliver to the Security Trustee any and all consents or other documents which may be necessary to effect the transfer of the Negotiable Collateral to the Security Trustee or any third party.
- (c) The Corporation will promptly inform the Security Trustee in writing of the acquisition by the Corporation of any personal property which is not adequately described in Section 1.2, and the Corporation will execute and deliver, at its own expense, from time to time, amendments to this Security Agreement and its schedules or additional security agreements or schedules as may be required by the Security Trustee.

1.5 Scope of Security Interest.

- (a) To the extent that the creation of the Security Interest would constitute a breach or permit the acceleration or termination of any agreement, right, licence or permit of the Corporation (each, a "Restricted Asset"), the Security Interest created hereunder will constitute a trust created in favour of the Security Trustee 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 Security Trustee on the following basis:

- (i) until the Security Interest has become enforceable, the Corporation shall be entitled to receive all such proceeds; and
- (ii) whenever the Security Interest has become enforceable, all rights of the Corporation to receive such proceeds shall cease, the Corporation shall, at the request of the Security Trustee, take all such actions to collect and enforce payment and other rights arising under the Restricted Asset in accordance with the instructions of the Security Trustee and all such proceeds arising under or in connection with the Restricted Asset shall be immediately paid over to the Security Trustee for the benefit of the Creditors.

The Corporation shall not exercise any rights of set-off with respect to amounts payable under or in connection with any Restricted Asset and shall use its best efforts to ensure that no other party to the Restricted Asset shall exercise any rights of set-off against any amounts payable thereunder. The Corporation shall use its commercially reasonable efforts to obtain the consent of each other party to the Restricted Asset to the creation of a security interest in the Restricted Asset in favour of the Security Trustee in accordance with this Security Agreement and shall use its commercially reasonable efforts to ensure that all agreements entered into on and after the date hereof expressly permit the creation of a security interest to the Security Trustee in accordance with the terms of this Security Agreement.

- (b) Until the Security Interest shall have become enforceable, the grant of the Security Interest in the Intellectual Property shall not affect in any way the Corporation's rights to commercially exploit the Intellectual Property, defend it, enforce the Corporation's rights in it against third parties in any court or claim and be entitled to receive any damages with respect to any infringement of it.
- (c) The Security Interest shall not extend to consumer goods.
- (d) The Security Interest shall not extend or apply to the last day of the term of any lease or sublease or any agreement for a lease or sublease now held or hereafter acquired by the Corporation in respect of real property, but the Corporation shall stand possessed of any such last day upon trust to assign and dispose of it as the Security Trustee may direct.

1.6 Grant of Licence to Use Intellectual Property.

For purposes of enabling the Security Trustee to exercise its rights and remedies pursuant to Article 4, after the Security Interest becomes enforceable in accordance with Section 4.1 and for no other purpose, the Corporation grants to the Security Trustee an irrevocable, nonexclusive licence (exercisable without payment of royalty or other compensation to the Corporation) to use, assign or sublicense any of the Intellectual Property wherever the same may be located, including in such licence access to (i) all media in which any of the licensed items may be recorded or stored, and (ii) all computer programs used for compilation or print-out.

1.7 Care and Custody of Collateral.

- (a) The Security Trustee shall have no obligation to keep Collateral in its possession identifiable.
- (b) The Security Trustee may, after the Security Interest shall have become enforceable, (i) notify any person obligated on an account or on chattel paper or any obligor on an instrument to make payments to the Security Trustee whether or not the Corporation was previously making collections on such accounts, chattel paper or instruments, and (ii) assume control of any proceeds arising from the Collateral.

ARTICLE 2 – REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties.

The Corporation hereby represents and warrants to the Security Trustee and each of the Creditors that:

- (a) Ownership of Collateral.

It owns, or has valid rights as a lessee or licensee with respect to, all Collateral purported to be pledged by it hereunder and it has full power and authority to grant to the Security Trustee, for its own benefit and for the benefit of the other Creditors, the Security Interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Security Agreement, without the consent or approval of any other person other than any consent or approval which has been obtained.

- (b) Locations.

Schedule “C” lists (i) its exact legal name, (ii) the jurisdiction of its incorporation or organization, (iii) the addresses of its chief executive office, (iv) the address of each location of all original invoices, ledgers, chattel paper, instruments and other records or information evidencing or relating to the Collateral and (v) the address of each other place of business and/or of each location at which any equipment or inventory owned by the Corporation is kept or maintained in each instance, except for any new location established in accordance with the provisions of Section 3.1(a). Except as may be otherwise noted therein, all locations identified in Schedule “C” are owned or leased by the Corporation. It does not presently conduct business under any prior or other corporate name or under any trade or fictitious names, and it has not entered into any contract or granted any security interest within the past five years from the date hereof under any name other than its legal corporate name or any trade or fictitious name indicated on Schedule “C”.

- (c) Perfected First Priority Liens.

The Security Interest granted pursuant to this Security Agreement (i) constitutes a valid security interest in all of the Collateral located in the provinces and territories of Canada specified in Schedule “C” in favour of the Security Trustee, as collateral security for the Obligations, enforceable in accordance with the terms hereof against all creditors of the Corporation and any

persons purporting to purchase any Collateral from the Corporation (other than purchasers in the ordinary course of business), subject to any limits on its enforcement by virtue of any general principles of law, and (ii) is prior to all other mortgages, charges, pledges, liens or other security interests ("Liens") on the Collateral in existence on the date hereof except for Liens having priority over the Security Trustee's Liens by operation of law or otherwise as permitted by the Credit Documents, subject to any general principles of law. Upon the filing of appropriate financing statements or other similar documentation, the Security Interests shall constitute a perfected security interest in the Collateral.

(d) Subsidiaries.

The Corporation has no subsidiaries and holds no shares or other ownership, equity or proprietary interest, in any other person.

(e) Ownership of Subject Properties.

The Corporation does not own any real property and is not bound by any agreement to lease any real property other than the leases listed in Schedule "D".

(f) Bank Accounts.

Schedule "A" sets out all accounts opened or maintained by the Corporation at any bank or financial institution (the "Bank Accounts").

2.2 Survival of Representations and Warranties.

The representations and warranties in this Security Agreement and in any certificates or documents delivered to the Security Trustee shall not merge in or be prejudiced by and shall survive any advance and shall continue in full force and effect so long as the Facility Agreement, the HY Bond Indenture, the Intercreditor Deed or any other Credit Document to which the Corporation is a party has not been released or discharged in accordance with the terms of the Facility Agreement, the HY Bond Indenture, the Intercreditor Deed or such other Credit Document, as the case may be.

ARTICLE 3 – COVENANTS

3.1 Covenants.

The Corporation covenants and agrees with the Security Trustee and the Creditors that, from and after the date of this Security Agreement until the Obligations shall have been discharged hereunder:

(a) No Changes to Location etc.

Except as permitted by the Credit Documents, the Corporation will not (i) change its chief executive office or principal place of business from the location thereof listed on Schedule "C", (ii) change the jurisdiction of its incorporation or organization from the jurisdiction listed on Schedule "C" (whether by merger or otherwise), or (iii) permanently remove any Collateral (other than goods in transit), or any books, records or other information relating to Collateral,

from the applicable location thereof listed on Schedule “C”, or keep or maintain any Collateral at a location not listed on Schedule “C”, unless in each case the Corporation has (x) given ten (10) business days’ prior written notice to the Security Trustee of its intention to do so, together with information regarding any such new location and such other information in connection with such proposed action as the Security Trustee may reasonably request, and (y) delivered to the Security Trustee ten (10) business days’ prior to any such change or removal such documents, instruments and financing statements as may be reasonably required by the Security Trustee, all in form and substance reasonably satisfactory to the Security Trustee, paid all necessary filing and recording fees and taxes, and taken all other actions reasonably requested by the Security Trustee (including, at the reasonable request of the Security Trustee, delivery of opinions of counsel satisfactory to the Security Trustee to the effect that all such actions have been taken), in order to perfect and maintain the Security Interest in the Collateral provided for herein. Further, the Corporation shall also deliver to the Agent the documents, instruments and financial statements specified in (y) above (including opinions) if the Corporation is permitted to change its name, identity or the nature of its constitution in accordance with the Credit Documents.

(b) Maintenance of Perfected Security Interest; Further Documentation.

The Corporation will co-operate in maintaining the Security Interest created by this Security Agreement as a perfected security interest having at least the priority described in Section 2.1(c) and shall defend such Security Interest against the claims and demands of all persons whomsoever, other than persons holding Liens permitted by the Credit Documents or by law. At any time and from time to time, upon the written request of the Security Trustee, and at the sole expense of the Corporation, the Corporation will promptly and duly execute and deliver, such further instruments and documents and take such further actions as the Security Trustee may reasonably request for the purpose of obtaining or preserving the full benefits of this Security Agreement and of the rights and powers herein granted including, without limitation (i) the filing of any financing or financing change statements under the PPSA (or other similar laws) in effect in any jurisdiction with respect to the Security Interests created hereby and (ii) in the case of Negotiable Collateral, effecting delivery thereof in accordance with Section 1.4(b).

(c) Subsidiaries.

The Corporation will not incorporate or acquire any subsidiaries or commence to carry on its business, otherwise than through the Corporation.

(d) Bank Accounts.

The Corporation shall transfer all cash and monies on deposit in any bank account (not subject to a blocked account agreement in favour of the Security Trustee (a “Blocked Account Agreement”)), at the end of each day that banks in Canada are open, to an account that is subject to a Blocked Account Agreement; provided, however, that the Corporation’s accounts at TD Canada Trust identified as the “Retail Clearing” and “Money Market Account” accounts (as more particularly described on Schedule A hereto) shall not be subject to the foregoing, as long as each such account’s function remains restricted (i) to, in respect of the “Money Market Account”, maintaining deposits (not including deposits from customers of the Corporation or any other accounts receivable) of the Corporation for money market investments, and (ii) to, in respect of the “Retail Account”, disbursement functions. Any breach of the covenants herein shall be deemed to be an Enforcement Event.

ARTICLE 4 – ENFORCEMENT

4.1 Enforcement.

The Security Interest created under this Security Agreement shall be and become enforceable solely by the Security Trustee against the Corporation upon the occurrence of and during the continuance of an Enforcement Event.

4.2 Remedies.

- (a) Whenever the Security Interest has become enforceable, the Security Trustee may realize upon the Collateral and enforce its rights, by:
 - (i) entry onto any premises where Collateral consisting of tangible personal property may be located;
 - (ii) entry into possession of all or any part of the Collateral by any method permitted by law;
 - (iii) sale or lease of all or any part of the Collateral;
 - (iv) collection of any proceeds arising in respect of the Collateral;
 - (v) collection, realization or sale of, or other dealing with, the accounts;
 - (vi) appointment by instrument in writing of a receiver (which term as used in this Security Agreement includes a receiver and manager) or agent of all or any part of the Collateral and removal or replacement from time to time of any receiver or agent;
 - (vii) institution of proceedings in any court of competent jurisdiction for the appointment of a receiver of all or any part of the Collateral;
 - (viii) institution of proceedings in any court of competent jurisdiction for sale or foreclosure of all or any part of the Collateral;
 - (ix) filing of proofs of claim and other documents to establish claims to the Collateral in any proceeding relating to the Corporation; and
 - (x) any other remedy or proceeding authorized or permitted under the PPSA or otherwise by law or equity.
- (b) Such remedies may be exercised from time to time separately or in combination and are in addition to, and not in substitution for, any other rights of the Security Trustee however created. The Security Trustee shall not be bound to exercise any right or remedy, and the exercise of any rights and remedies shall be without prejudice to the rights of the Security Trustee in respect of the Obligations including the right to claim for any deficiency.

- (c) To the extent permitted by applicable law, except in respect of those resulting from wilful misconduct or gross negligence on the part of the Security Trustee or any Creditor, the Corporation hereby waives all claims, damages and demands it may acquire against the Security Trustee or any Creditor arising out of the exercise by them of any rights hereunder. If any notice of proposed sale or other disposition of Collateral shall be required by law and the law does not prescribe any notice periods, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

4.3 Additional Rights.

In addition to the remedies set forth in Section 4.2, whenever the Security Interest has become enforceable, the Security Trustee may:

- (a) require the Corporation, at the Corporation's expense, to assemble the Collateral and make it available to the Security Trustee at a place or places which the Security Trustee shall reasonably select, whether at the Corporation's premises or elsewhere and the Corporation agrees to so assemble the Collateral;
- (b) require the Corporation, by notice in writing, to disclose to the Security Trustee the location or locations of the Collateral and the Corporation agrees to make such disclosure when so required;
- (c) repair, process, modify, complete or otherwise deal with the Collateral and prepare for the disposition of the Collateral, whether on the premises of the Corporation or otherwise;
- (d) carry on all or any part of the business of the Corporation and, to the exclusion of all others including the Corporation, enter upon, occupy and use all or any of the premises, buildings, and other property of or used by the Corporation for such time as the Security Trustee sees fit, free of charge, and the Security Trustee shall not be liable to the Corporation for any act or omission which does not constitute wilful misconduct or gross negligence on the part of the Security Trustee in so doing or for any rent, charges, depreciation or damages incurred in connection with or resulting from such action;
- (e) require the Corporation to engage a consultant or consultants of the Security Trustee's choice, or engage a consultant or consultants on behalf of the Security Trustee, such consultants to receive the full cooperation and support of the Corporation and its officers and employees, including unrestricted access to the premises and books and to records of the Corporation; all reasonable fees and expenses of any such consultant shall be for the account of the Corporation and the Corporation hereby authorizes any such consultant to report directly to the Security Trustee and to disclose to the Security Trustee any and all information obtained by such consultant;
- (f) borrow for the purpose of carrying on the business of the Corporation or for the maintenance, preservation or protection of the Collateral and grant a security

interest in the Collateral, whether or not in priority to the Security Interest, to secure repayment; and

- (g) commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give good and valid receipts and discharges in respect of the Collateral and compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to the Corporation.

4.4 Duty of the Security Trustee; Indemnity.

- (a) Except as otherwise provided by law, the Security Trustee's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession under this Security Agreement shall be to deal with it in the same manner as the Security Trustee deals with similar property for its own account.
- (b) None of the Security Trustee, any Creditor nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Corporation or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Security Trustee hereunder are solely to protect the Security Trustee's and the Creditors interests in the Collateral and shall not impose any duty upon the Security Trustee or any Creditor to exercise any such powers.
- (c) The Security Trustee shall not be obliged to exhaust its recourse against the Corporation or any other person or against any other security it may hold in respect of the Obligations before realizing upon or otherwise dealing with the Collateral in such manner as the Security Trustee may consider desirable.
- (d) The Security Trustee may grant extensions or other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the Corporation and with other persons, sureties or securities as it may see fit without prejudice to the Obligations, the liability of the Corporation or the rights of the Security Trustee in respect of the Collateral.
- (e) The Security Trustee and the Creditors shall be accountable only (or amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to the Corporation for any act or failure to act hereunder, except for their own gross negligence or wilful misconduct.

4.5 Receiver's Powers.

- (a) Any receiver appointed by the Security Trustee shall be vested with the rights and remedies which could have been exercised by the Security Trustee in respect of the Corporation or the Collateral and such other powers and discretions as are

granted in the instrument of appointment and any supplemental instruments. The identity of the receiver, its replacement and its remuneration shall be within the sole and unfettered discretion of the Security Trustee.

- (b) Any receiver appointed by the Security Trustee shall act as agent for the Security Trustee for the purposes of taking possession of the Collateral, but otherwise and for all other purposes (except as provided below), as agent for the Corporation. The receiver may sell, lease, or otherwise dispose of Collateral as agent for the Corporation or as agent for the Security Trustee as the Security Trustee may determine in its discretion. The Corporation agrees to ratify and confirm all actions of the receiver acting as agent for the Corporation, and to release and indemnify the receiver in respect of all such actions.
- (c) The Security Trustee, in appointing or refraining from appointing any receiver, shall not incur liability to the receiver, the Corporation or otherwise and shall not be responsible for any misconduct or negligence of the receiver.

4.6 Appointment of Attorney.

- (a) The Corporation irrevocably appoints the Security Trustee (and any of its officers or agents) as attorney of the Corporation (with full power of substitution) to do, make and execute, in the name of and on behalf of the Corporation, all such further acts, documents, matters and things which the Security Trustee may deem necessary or advisable to accomplish the purpose of this Security Agreement including the execution, endorsement and delivery of documents and any notices, receipts, assignments or verifications of the accounts. All acts of the attorney are ratified and approved, and the attorney shall not be liable for any act, failure to act or any other matter or thing, except for its own gross negligence or wilful misconduct. The Security Trustee may exercise its rights hereunder (a) prior to the time at which the Security Interest becomes enforceable in accordance with Section 4.1, but only if (i) the Corporation has failed to do anything required by this Security Agreement or any other Credit Document to be done and such failure is continuing 10 business days following the provision of notice thereof to the Corporation by the Security Trustee, and (ii) the Corporation is not disputing the matter in good faith and by appropriate proceedings, or (b) at any time following the time at which the Security Interest becomes enforceable in accordance with Section 4.1.
- (b) If the Corporation fails to perform or comply with any of its agreements contained herein, the Security Trustee, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement in accordance with paragraph (a) above.
- (c) The Corporation hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Security Agreement are coupled with an interest and are irrevocable until this Security Agreement is terminated and the security interests created hereby are released.

4.7 Standards of Sale.

Without prejudice to the ability of the Security Trustee to dispose of the Collateral after the occurrence of an Enforcement Event, upon such terms and conditions as the Security Trustee may deem advisable and at such prices as the Security Trustee may deem best, for cash or on credit or for future delivery without assumption of any credit risk, the Corporation acknowledges that:

- (a) Collateral may be disposed of in whole or in part;
- (b) Collateral may be disposed of by public auction, public tender or private contract, with or without advertising and without any other formality;
- (c) any assignee of such Collateral may be a customer of the Security Trustee or any other Creditor;
- (d) a disposition of Collateral may be on such terms and conditions as to credit or otherwise as the Security Trustee, in its sole discretion, may deem advantageous; and
- (e) the Security Trustee may establish an upset or reserve bid or price in respect of Collateral.

4.8 Dealings by Third Parties.

- (a) No person dealing with the Security Trustee or an agent or receiver shall be required to determine (i) whether the Security Interest has become enforceable, (ii) whether the powers which such person is purporting to exercise have become exercisable, (iii) whether any money remains due to the Security Trustee or any Creditor by the Corporation, (iv) the necessity or expediency of the stipulations and conditions subject to which any sale or lease is made, (v) the propriety or regularity of any sale or other dealing by the Security Trustee or any Creditor with the Collateral, or (vi) how any money paid to the Security Trustee or any Creditor has been applied.
- (b) Any purchaser of all or any part of the Collateral from the Security Trustee or a receiver or agent (such purchaser which may include the Security Trustee or any Creditor) shall hold the Collateral absolutely, free from any claim or right of whatever kind, including any equity of redemption, of the Corporation, which it specifically waives (to the fullest extent permitted by law) as against any such purchaser together with all rights of redemption, stay or appraisal which the Corporation has or may have under any rule of law or statute now existing or hereafter adopted.

4.9 Application of Proceeds.

All moneys collected by the Security Trustee or any receiver or agent upon any sale or other disposition of the Collateral pursuant to the terms of this Security Agreement, together with all

other moneys received by the Security Trustee hereunder, subject to applicable laws, shall be applied in accordance with the Intercreditor Deed.

4.10 Corporation Liable for Deficiency.

The Corporation shall remain liable to the Security Trustee and the Creditors for any deficiency after the proceeds of any sale or other disposition of Collateral are received by the Security Trustee.

ARTICLE 5 – GENERAL

5.1 Authorisation to File Financing Statements.

The Corporation hereby irrevocably authorizes the Security Trustee to file, or record financing statements, financing change statements and other filing or recording documents or instruments with respect to the Collateral without the signature of the Corporation, in such form and in such offices as the Security Trustee determines appropriate to perfect the security interests of the Security Trustee under this Security Agreement. The Corporation hereby ratifies and authorizes the filing by the Security Trustee of any financing statement or financing change statement with respect to the Collateral made prior to the date hereof.

5.2 Discharge.

The Security Trustee shall release the Collateral from the Security Interest created hereby, and this Security Agreement and all obligations (other than those expressly stated to survive such termination) of the Corporation hereunder shall terminate, pursuant to and in accordance with the Intercreditor Deed, and all rights to the Collateral shall thereupon revert to the Corporation. At the request and sole expense of the Corporation following any such termination, the Security Trustee shall deliver to the Corporation any Collateral held by the Security Trustee hereunder, and execute and deliver to the Corporation such documents as the Corporation shall reasonably request to evidence such termination.

5.3 Amendment, etc.

No amendment or waiver of any provision of this Security Agreement, nor any consent to any departure by the Corporation from such provision, is effective unless in writing and approved by the Security Trustee. Any amendment, waiver or consent is effective only in the specific instance and for the specific purpose for which it was given.

5.4 Waivers; Cumulative Remedies.

- (a) None of the Security Trustee nor any Creditor shall by any act (except by a written instrument pursuant to Section 5.3), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Senior Default or Senior Event of Default or any event of default which has occurred under the HY Bond Facility. No failure to exercise, nor any delay in exercising, on the part of the Security Trustee or any Creditor, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude

any other or further exercise thereof or the exercise of any other right, power or privilege.

- (b) A waiver by the Security Trustee or any Creditor of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Security Trustee or such Creditor would otherwise have on any future occasion.
- (c) The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

5.5 No Merger.

This Security Agreement shall not operate by way of merger of any of the Obligations and no judgment recovered by the Security Trustee or any of the Creditors shall operate by way of merger of, or in any way affect, the Security Interest, which is in addition to, and not in substitution for, any other security now or hereafter held by the Security Trustee or the Creditors in respect of the Obligations.

5.6 Further Assurances.

The Corporation shall from time to time, whether before or after the Security Interest shall have become enforceable, do all acts and things and execute and deliver all transfers, assignments and instruments as the Security Trustee may reasonably require for (i) protecting the Collateral, (ii) perfecting the Security Interest, and (iii) exercising all powers, authorities and discretions conferred upon the Security Trustee. The Corporation shall, from time to time after the Security Interest has become enforceable, do all acts and things and execute and deliver all transfers, assignments and instruments as the Security Trustee may require for facilitating the sale or other disposition of the Collateral in connection with its realization.

5.7 Supplemental Security.

This Security Agreement is in addition and without prejudice to and supplemental to all other security now held or which may hereafter be held by the Security Trustee or the Creditors.

5.8 Notices.

All notices, requests and demands to or upon the Security Trustee or the Corporation hereunder shall be in writing and effected in the manner provided for in the Intercreditor Deed.

5.9 Successors and Assigns.

This Security Agreement shall be binding upon the successors and assigns of the Corporation and shall inure to the benefit of the Security Trustee and the Creditors and their successors and assigns; provided that the Corporation may not assign, transfer or delegate any of its rights or obligations under this Security Agreement without the prior written consent of the Security Trustee. This Security Agreement shall be assignable by the Security Trustee in accordance with the Intercreditor Agreement.

5.10 Gender and Number.

Any reference in this Security Agreement to gender shall include all genders and words importing the singular number only shall include the plural and vice versa.

5.11 Headings, etc.

The provision of a Table of Contents the division of this Security Agreement into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect its interpretation.

5.12 Severability.

If any provision of this Security Agreement shall be deemed by any court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.

5.13 Priority of Documents.

In the event of any conflict or inconsistency with the terms of this Security Agreement and the terms of the Facility Agreement or the Intercreditor Deed, as the case may be, the terms of the Facility Agreement or the Intercreditor Deed as the case may be, shall prevail and in the event of a conflict between the terms of the Facility Agreement and the Intercreditor Deed, the terms of the Intercreditor Deed shall prevail.

5.14 Counterparts.

This Security Agreement may be executed by one or more of the parties to it on any number of separate counterparts (including by facsimile), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signature pages may be detached from multiple counterparts and attached to a single counterpart so that all signature pages are attached to the same document. Delivery of an executed counterpart by facsimile shall be effective as delivery of a manually executed counterpart.

5.15 Governing Law.

This Security Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF the Corporation has executed this Security Agreement by us duly authorized officer as of the date first above written.

ROYAL DOULTON CANADA LIMITED

Per: 

Name:

Title:

SCHEDULE "A"
Description of Bank Accounts

Bank Name	Address	Account #	Branch #	Purpose
Bank of Montreal	21 Micmac Blvd. Dartmouth, NS B3A 4T4	1003-610	0132	Store Account
Scotia Bank	1485 Portage Avenue Winnipeg, MB R3G 0W4	00367 14	71407	Store Account
Canadian Imperial Bank of Commerce	1294 Guilford Town Centre Surrey, BC V3R 7B7	80-01715	08920	Store Account
TD Canada Trust	1900 Ellesmere Road Scarborough, ON M1H 2V6	0310381	17902	Retail Clearing
TD Canada Trust	1900 Ellesmere Road Scarborough, ON M1H 2V6	0308271	17902	Main Account
TD Canada Trust	1900 Ellesmere Road Scarborough, ON M1H 2V6	5100154	17902	Money Market Account

SCHEDULE "B"
Intellectual Property

I. DOMAIN NAMES

N/A

II. TRADEMARKS

Trade-mark	Reg/Apl. No.	Date
Enhancing The Quality of Life	TMA390204	November 15, 1991
Box Design (Descriptive Reference)	TMA383511	April 26, 1991
Cavalier	TMA281662	July 22, 1983 Renewed July 22, 1998

SCHEDULE "C"
Locations, etc.

Legal Name:	Royal Doulton Canada Limited
Jurisdiction of Incorporation:	Ontario
Chief Executive Office:	305 Milner Avenue, Suite 700, Toronto, Ontario M1B 3V4
Location of Chattel Paper, Records, Etc.	Chief Executive Office, with the exception of the record book, which is at the Toronto office of Blake, Cassels & Graydon LLP
Trade Name:	Royal Doulton
Location of Other Places of Business, Equipment and Inventory:	Mic Mac Mall 21 Micmac Mall Dartmouth, NS B3A 4K7 White Oaks Mall 1105 Wellington Road London, ON N6E 1V4 West Edmonton Mall 8882-170 Street, Unit 2101 Edmonton, AB T5T 3J7 Polo Park Shopping Centre 1485 Portage Avenue, Unit 2101 Winnipeg, AB R3G 0W4 Market Mall L2-3625 Shaganappi Trail NW Calgary, AB T3A 0E2 Fairview Mall 1800 Sheppard Ave. East, Unit L105 Willowdale, ON M2J 5A7 Pickering Town Centre 1355 Kingston Road, Unit 423 Pickering, ON L1V 1B8 Guildford Town Centre Unit 1315 Surrey, BC V3R 7C1

Regent Mall
1381 Regent Street, Unit 104
Fredericton, NB E3C 1A2

Markville Shopping Centre
5000 Highway #7, Unit 16
Markham, ON L3R 4M9

Cookstown Manufactures Outlet
RR #1, Unit B13
Cookstown, ON L0L 1L0

St. Jacobs Factory Outlet Mall
25 Benjamin Road, Unit 30
Waterloo, ON N2V 2G8

Vaughan Mills
1 Bass Pro Mills Drive
Vaughan, ON L4K 5W4

Royal Doulton Canada Limited Warehouse
1845 Clements Road, Unit 200
Pickering, ON L1N 3R8

SCHEDULE "D"

Leases

Address

Name/Address of Lessor

Mic Mac Mall
21 Micmac Mall
Dartmouth, NS
B3A 4K7

Mic Mac Mall Limited Partnership
21 Mic Mac Blvd.
Dartmouth, NS
B3A 4N3

White Oaks Mall
1105 Wellington Road
London, ON
N6E 1V4

The White Oaks Group
White Oaks Mall Management Office
White Oaks Mall Holdings Inc.
c/o Redcliff Realty Management Inc.
1105 Wellington Road South
London, ON
N6E 1V4

West Edmonton Mall
8882-170 Street
Unit 2101
Edmonton, AB
T5T 3J7

West Edmonton Mall
P.O. Box 1417
Station M
Calgary, AB
T2P 2L6

Polo Park Shopping Centre
1485 Portage Avenue
Unit 0250
Winnipeg, MB
R3G 0W4

Cadillac Fairview
ONTREA Inc.
c/o Cadillac Fairview Corp. Ltd.
Polo Park
Suite 66Q
1485 Portage Avenue
Winnipeg, MB
R3G 0W4

Market Mall
L2-3625 Shaganappi Trail NW
Calgary, AB
T3A 0E2

Cadillac Fairview
Market Mall Leaseholds Inc.
The Management Office
Market Mall
3625 Shaganappi Trail NW
Calgary, AB
T3A 0E2

Address

Name/Address of Lessor

Fairview Mall
1800 Sheppard Avenue East
Unit L105
Willowdale, ON
M2J 5A7

Fairmall Leaseholds
Fairmall Leaseholds Inc.
The Management Office
Fairview Mall
1800 Sheppard Avenue East
Suite 330, P.O. Box 330
Willowdale, ON
M2J 5A7

Pickering Town Centre
1355 Kingston Road
Unit 423
Pickering, ON
L1V 1B8

OPB Realty (Pickering Centre) Inc.
c/o 20 Vic Management Inc.
1355 Kingston Road
Pickering, ON
L1V 1B8

Guildford Town Centre
Unit 1315
Surrey, BC
V3R 7C1

Guildford Town Centre Limited Partnership
2695 Guildford Town Centre
Surrey, BC
V3R 7C1

Regent Mall
1381 Regent Street
Unit 104
Fredericton, NB
E3C 1A2

CFCL Re: Regent Mall
The Cadillac Fairview Corp. Ltd.
1381 Regent Street
Fredericton, NB
E3C 1A2

Markville Shopping Centre
5000 Highway #7
Unit 16
Markham, ON
L3R 4M9

Cadillac Fairview
ONTREA Inc.
Markville Shopping Centre Ltd.
Administration Office
5000 Highway #7 East
Markham, ON
L3R 4M9

Cookstown Manufactures Outlet
R.R. #1, Unit B13
Cookstown, ON
L0L 1L0

World Land Development Inc.
Cookstown Holdings Ltd.
c/o Great Oak Capital Corp.
36 Toronto Street
Suite 1160
Toronto, ON
M5C 2C5

Address

St. Jacobs Factory Outlet Mall
25 Benjamin Road
Unit 30
Waterloo, ON
N2V 2G8

Vaughan Mills
1 Bass Pro Mills Drive
Vaughan, ON
L4K 5W4

Royal Doulton Canada Limited
305 Milner Avenue
Suite 700
Scarborough, ON
M1B 3V4

Royal Doulton Canada Limited
Warehouse
1845 Clements Road
Unit 200
Pickering, ON
L1N 3R8

Name/Address of Lessor

St. Jacobs Countryside Inc.
Property Management
47 King Street
Box 310
St. Jacobs, ON
N0B 2N0

Vaughan Mills Shopping Centre
Lock Box #B9146
P.O. Box 9100
Postal Station F
Toronto, ON
M4Y 3A5

Manulife Financial
Toronto Real Estate Office
55 Bloor St. W.
Suite 200
Toronto, ON
M4W 1A5

Pensionfund Realty Limited
55 City Centre Drive
Suite 800
Mississauga, ON
L5B 1M3