(cc) Encumbrances securing the Borrower's and Guarantors' obligations under this Agreement; provided that such Encumbrances are subject to the terms of the Intercreditor Agreement;

(dd) Encumbrances arising in connection with any Treasury Services Agreements;

(ee) Encumbrances arising in connection with any performance security guarantee or financial security guarantee provided by EDC; and

(ff) any extension, renewal or replacement of any of the foregoing, provided such Encumbrance does not secure payment or performance of an obligation in excess of the obligation secured by the Encumbrance prior to such extension, renewal or replacement.

"**Permitted Investments**" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the Government of Canada or of any Canadian province (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the Government of Canada or of such Canadian province), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and rated, at such date of acquisition, by the highest credit rating obtainable from Moody's, S&P or DBRS;

(c) investments in certificates of deposit, banker's acceptances, commercial paper and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic or foreign office of any commercial bank organized under the laws of Canada or of any Canadian province or any domestic or foreign commercial bank organized under the laws of the United States or any state thereof, or under the laws of the UK, in each case having, at such date of acquisition, a credit rating on its long-term unsecured debt of at least "A-" by S&P;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) or (e) and entered into with a financial institution satisfying the criteria described in clause (c) above;

(e) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the Government of the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the Government of the United States) or, in the case of any Subsidiary located in the UK, by the UK, in each case maturing within one year from the date of acquisition thereof;

(f) investments in time deposit accounts, term deposit accounts, certificates of deposit, money market deposits, bankers' acceptances and obligations maturing not more than 90 days from the date of acquisition thereof issued by any bank or trust company which is organized under the laws of the UK, and which bank or trust company has, or the obligations of which bank or trust company are guaranteed by a bank or trust company which has, capital, surplus and undivided profits in excess of US $500,000,000 and has outstanding Debt which is rated "A" (or such similar equivalent rating) or higher by at least one "nationally recognized statistical rating organization" (as defined in Rule 436 under the Securities Act) or by DBRS;

(g) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any State, commonwealth or territory of the United States, or by any political subdivision or taxing authority thereof, and rated at least A by S&P or A by Moody's;

(h) money market funds that (i) comply with the criteria set forth in Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least US $5,000,000; and

(i) instruments equivalent to those referred to in clauses (a) through (h) above denominated in £ or Euros comparable in credit quality and tenor to those referred to above and commonly used by corporations for cash management purposes in the UK to the extent reasonably required in connection with any business conducted by any Subsidiary organized in the UK.

"**Permitted Issuances**" means issuances of Equity Securities by Holdings or its Subsidiaries (i) to the Sponsor on the Effective Date in connection with the Sponsor Equity Contribution, (ii) in connection with funding Capital Expenditures, (iii) in connection with funding Investments permitted by clauses (f), (i), (n) and (p) of Section 7.02(11) or Permitted Acquisitions, or (iv) in connection with the exercise of the Borrower's right to cure in Section 8.04, or (v) to officers and/or employees pursuant to options, equity incentive and other benefit plans approved by the board of directors or other governing body of Holdings or its Subsidiaries.

"**Permitted Joint Venture**" means a Person:

(a) that is a corporation, limited liability company, joint venture or similar limited liability legal entity hereafter formed or entered into by a Loan Party with another Person in order to conduct a common venture or enterprise with such Person, which legal entity does not constitute a Subsidiary;

(b) that is not a strategic alliance formed or entered into by a Loan Party with any other Person for the purposes of joint research, product development, marketing, or other similar purposes that does not constitute an Investment in a Person;

(c) that does not own any Stock in a Loan Party nor at any time itself have been a Loan Party or a Related Party to Holdings;

(d) in respect of which all Indebtedness or other obligations (in each case whether contingent or otherwise), including any contractually binding commitment to make future capital contributions, assumed by any Loan Party or any of their Subsidiaries in respect thereof can be reasonably quantified;

(e) in connection with the acquisition thereof the amount of all consideration paid, including: (i) all transaction costs and all Indebtedness or other obligations (in each case whether contingent or otherwise), (ii) the equivalent fair market value of any non-cash investment or contribution, (iii) any contractually binding commitment to make future capital contributions, incurred or assumed in connection therewith; does not exceed, together with all other Permitted Joint Ventures, an aggregate of $10,000,000 for each Financial Year plus any return on such investments up to the amounts invested; and

(f) in respect of which the Loan Parties are in compliance with Section 7.01(18).

"**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"**Pledged Deposit Account**" means each deposit account as to which the Borrower or a Canadian or U.S. Guarantor has complied with the requirements of Section 7.01(17)(b) of this Agreement.

"**Pounds Sterling**" or "£" means the lawful currency of the UK.

"**PPSA**" means the *Personal Property Security Act* (Ontario) and the regulations thereunder, as from time to time in effect, provided, however, if attachment, perfection or priority of the Administrative Agent's security interests in any Collateral are governed by the personal property security laws of any Canadian jurisdiction other than Ontario, "PPSA" shall mean those personal property security laws in such other jurisdiction for the purposes of the provisions hereof relating to such attachment, perfection or priority and for the definitions related to such provisions.

"**Priority Payables**" means, with respect to any Person, any amount payable by such Person which is secured by an Encumbrance which ranks or is capable of ranking prior to or pari passu with the Encumbrances created by the Second Lien Credit Documents in respect of any Eligible Accounts Receivable, consisting of amounts owing for wages, vacation pay, employee deductions, sales tax, excise tax, tax payable pursuant to Part IX of the *Excise Tax Act* (Canada) (net of Goods and Service Tax input credits) or any other such Applicable Law, income tax, workers compensation, government royalties, pension fund obligations, and overdue rents or Taxes and other statutory or other claims that have or may have priority over the Encumbrances created by the Second Lien Security Documents.

"**Pro Forma Entity**" has the meaning specified in the definition of "Acquired EBITDA" herein.

"**Prohibited Transaction**" shall mean any prohibited transaction as defined in Section 4975 of the Internal Revenue Code or Section 406 of ERISA for which neither an

individual, statutory nor a class exemption has been issued by the United States Department of Labor.

"**Public Information**" means any information, data or materials regarding any Loan Party that is either (a) publicly available or (b) not material with respect to any Loan Party, any of its subsidiaries or any of its securities for purposes of United States or Canadian federal, state or provincial securities Applicable Laws.

"**Purchase Money Debt**" means debt incurred for the purpose of financing all or any part of the purchase price of fixed or capital assets or the cost of installation, construction, or improvement of fixed or capital assets; provided that (i) such debt is incurred within 3 months after the date of such acquisition, installation, construction, or improvement, and (ii) the amount of such debt does not exceed 100% of the cost of such acquisition, installation, construction or improvement, as applicable.

"**Refinancing Debt**" means, without duplication, Debt that refunds, refinances, extends or all of the proceeds from which are used to repay (in whole or in part) any Debt but only to the extent that (a) such Refinancing Debt is subordinated to the Debt hereunder at least to the same extent as the Debt being refunded, refinanced, extended or repaid, if at all; (b) the principal amount of such Refinancing Debt has a weighted average life to maturity not less than the weighted average life to maturity of the Debt being refunded, refinanced, extended or repaid and is scheduled to mature no earlier than the Debt being refunded, refinanced, extended or repaid; (c) such Refinancing Debt is in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of (x) the aggregate principal amount (or, if issued with original issue discount, the aggregate accreted value) of the Debt being refunded, refinanced, extended or repaid and the amount of any premium reasonably necessary to accomplish such refinancing, (y) the amount of accrued and unpaid interest, if any, and premiums owed, if any, not in excess of pre-existing prepayment provisions on such Debt being refunded, refinanced, extended or repaid, and (z) the amount of customary fees, expenses and costs related to the incurrence of such Refinancing Debt; and (d) such Refinancing Debt is incurred by the same Person that initially incurred the Debt being refunded, refinanced, extended or repaid.

"**Register**" has the meaning specified in Section 16.01(3).

"**Registered Intellectual Property**" means Owned Intellectual Property that is issued by, registered or filed with, renewed by or the subject of a pending application before any Governmental Authority or Internet domain name registrar.

"**Regulation U**" shall mean Regulation U, T or X as promulgated by the Board of Governors of the Federal Reserve System, as amended from time to time.

"**Related Parties**" means, with respect to any Person, such Person's Affiliates and the directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"**Release**" when used as a verb includes release, spill, leak, emit, deposit, discharge, leach, migrate, travel or dispose into the environment and the term "**Release**" when used as a noun has a correlative meaning.

"**Reporting Companies**" means each of the Borrower, LuxCo, [Contego AV HMSI, LLC][Hazard Management Solutions, LLC], and [Contego AV AVI, LLC][Allen-Vanguard, LLC].

"**Responsible Officer**" means, with respect to any corporation, the chairman, the president, any vice president, the chief executive officer, the chief operating officer, chief legal officer or the chief financial officer, and, in respect of financial or accounting matters, any Financial Officer of such corporation; unless otherwise specified, all references herein to a Responsible Officer mean a Responsible Officer of the Borrower.

"**Restricted Payment**" means, with respect to any Person, any payment by such Person (i) of any dividends on any of its Equity Securities, (ii) on account of, or for the purpose of setting apart any property for a sinking or other analogous fund for, the purchase, redemption, retirement or other acquisition of any of its Equity Securities or any warrants, options or rights to acquire any such shares, or the making by such Person of any other distribution in respect of any of its Equity Securities, (iii) of any principal of or interest or premium on, or of any amount in respect of a sinking or analogous fund or defeasance fund for, any Debt of such Person ranking in right of payment subordinate to any liability of such Person under the Second Lien Credit Documents, (iv) of any principal of or interest or premium on or of any amount in respect of a sinking or analogous fund or defeasance fund for any Debt of such Person to a shareholder of such Person or to an Affiliate of a shareholder of such Person, or (v) of any management, consulting or similar fee or any bonus payment or comparable payment, or by way of gift or other gratuity, to any Affiliate of such Person or to any director or officer thereof (other than employment compensation or director compensation in the ordinary course).

"**Restructuring Costs**" means non-recurring costs incurred by the Reporting Companies and their Subsidiaries not associated with the operation of the Business, including in respect of employee severance and termination, all costs associated with vacating premises that are no longer required, relocation costs, consolidation and closing costs, integration and facilities opening costs, acquisition costs, transition costs, signing, retention or completion bonuses, curtailments or modifications to pension and post-retirement employee benefits, all professional fees associated with the Transaction including financial forecasting, negotiation of this Agreement, the Transaction Agreement, the Transaction Documents and all related agreements, and refinancing activities.

"**S&P**" means Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"**Sale and Leaseback Transaction**" means any direct or indirect arrangement with any Person providing for the leasing to Holdings or any of its Subsidiaries of any property, whether owned by Holdings or any of its Subsidiaries as of the Effective Date or later

acquired, which has been or is to be sold or transferred by Holdings or any of its Subsidiaries to such Person or to any other Person from whom funds have been, or are to be, advanced by such Person on the security of such property.

"**Second Lien Credit Documents**" means this Agreement, the Second Lien Security Documents, the Fee Letter, the Domestic Guarantees, any Foreign Guarantees, certificates and written notices executed by any of the Loan Parties and delivered to the Administrative Agent or the Lenders, or both, together with (except for purposes of Article 6, 13, 15, 16 and 17) and all other documents designated by their terms as "Second Lien Credit Documents" and executed and delivered to the Administrative Agent or the Lenders, or both, by any of the Loan Parties in connection with the Term Loan Facility.

"**Second Lien Pledge Agreement**" has the meaning specified in Section 2.11(1)(b).

"**Second Lien Security Agreement**" has the meaning specified in Section 2.11(1)(b).

"**Second Lien Security Documents**" means the agreements described in Section 2.11 and any other security granted to the Administrative Agent on behalf of the Lenders or the Secured Parties as security for the obligations of any of the Loan Parties under this Agreement and the other Second Lien Credit Documents.

"**Second Lien U.S. Security and Pledge Agreement**" means the Security and Pledge Agreement dated as of the Effective Date made by the U.S. Guarantors in favour of the Administrative Agent.

"**Second Lien UK Debenture**" means the debenture entered into by each UK Guarantor, which shall contain substantially the terms set forth in the comparable Second Lien Security Agreements entered into by the other Loan Parties with such adjustments as may be reasonably necessary in order to comply with the requirements of Applicable Law in the UK, such adjustments to be in form and substance satisfactory to the Administrative Agent.

"**Secured Parties**" means, collectively, (i) the Administrative Agent and (ii) the Lenders (each a "**Lender Counterparty**").

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Security**" has the meaning specified in Section 2.11(1).

"**Service Lender**" has the meaning specified in the definition of "**Treasury Service Agreements**" herein.

"**Sold Entity or Business**" has the meaning specified in the definition of "**Consolidated EBITDA**" herein.

"**Solvent**" and "**Solvency**" mean on any date, (a) with respect to any Person organized under the laws of a jurisdiction located within the United States, that on such date, (i) the

fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (ii) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (iv) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital, and (b) with respect to any other Person, that on such date, (i) the aggregate property of such Person is, at a fair valuation, sufficient, or, if disposed of at a fairly conducted sale under legal process, would be sufficient, to enable payment of all its obligations, due and accruing due, (ii) such Person has not ceased paying its current obligations in the ordinary course of business as they generally become due, and (iii) such Person is not for any reason unable to meet its obligations as they generally become due. For purposes of the foregoing, the amount of contingent liabilities (such as litigation, guarantees and pension plan liabilities) at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, represents the amount that can be reasonably be expected to become an actual or matured liability (in each case interpreted in accordance with fraudulent conveyance, bankruptcy and insolvency and other Applicable Laws).

"**Specified Lender**" means any Person that is primarily engaged in investing in (i) Debt of companies that are either in default, under bankruptcy protection or in distressed financial condition or (ii) high-yield bonds that are in default or equities that are in bankruptcy.

"**Sponsor**" means Versa Capital Management, Inc.

"**Sponsor Equity Contribution**" has the meaning specified in Section 7.01(19).

"**Sponsor Group**" means at all times the Sponsor, and each of the following:

(a) any Affiliate of the Sponsor (collectively, the "**Sponsor Affiliates**");

(b) any executive officer, director or employee of the Sponsor or any Sponsor Affiliate (collectively, the "**Sponsor Associates**");

(c) the heirs, executors, administrators, testamentary trustees, legatees or beneficiaries of any Sponsor Associate, in each case so long as such Sponsor Associate retains all voting control with respect to any equity interests owned by any of the foregoing;

(d) a trust, the beneficiaries of which, or a corporation or partnership, the stockholders or general or limited partners of which, include only Sponsor, Sponsor Affiliates, Sponsor Associates, their spouses, their lineal descendants and any other members of their families, in each case so long as Sponsor, an Sponsor Affiliate or Sponsor Associate retains all voting control with respect to any equity interests owned by such trust, corporation or partnership; and

(e) the Sponsor's alternative investment vehicles, parallel, co- and investment vehicles, affiliated investment funds and managed accounts.

"**Sponsor Management Agreement**" means that certain management agreement by and between the Loan Parties and [_____] dated as of the Effective Date.

"**Sponsor Management Fees**" means any and all fees and payments to Sponsor or its designee(s) pursuant to the Sponsor Management Agreement limited to (i) an annual fee not to exceed US $1,500,000 in the aggregate, (ii) reasonable and documented (to the extent available) third party fees and out-of-pocket expenses of the Sponsor in connection with the Transaction Agreement, the Sponsor Management Agreement the Sponsor Transaction Documents or this Agreement, (iii) a one-time transaction fee to Sponsor or its designee in an amount not to exceed US $4,500,000, payable on the Effective Date; (iv) tax distributions to Sponsor appropriate to Holdings' structure at the highest combined marginal rate, and (v) indemnification payments due to Sponsor pursuant to the Transaction Agreement, the Sponsor Management Agreement the Sponsor Transaction Documents or this Agreement.

"**Sponsor Transaction Documents**" means this Agreement, the Sponsor Management Agreement and the Intercreditor Agreement.

"**Subsidiary**" means, at any time, as to any Person, any corporation, company or other Person, if at such time the first mentioned Person owns, directly or indirectly, securities or other ownership interests in such corporation, company or other Person having ordinary voting power to elect a majority of the board of directors or persons performing similar functions for such corporation, company or other Person.

"**Successor Borrower**" has the meaning specified in Section 7.02(3)(i).

"**Synthetic Debt**" means, with respect to any Person, without duplication of any clause within the definition of "Debt", all (i) obligations of such Person under any lease that is treated as an operating lease for financial accounting purposes and a financing lease for tax purposes (i.e., a "synthetic lease") and (ii) obligations of such Person in respect of other transactions entered into by such Person that are not otherwise addressed in the definition of "Debt" or in clause (i) above that are intended to function primarily as a borrowing of funds (including, without limitation, any minority interest transactions that function primarily as a borrowing).

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c.l. (5th Supp.), as amended, and the Regulations promulgated thereunder.

"**Taxes**" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"**Technology License and Supply Agreement**" means the Technology License and Supply Agreement, dated as of November 2, 2006, as amended on August 4, 2009 and September 25, 2009 and as amended or supplemented by purchase orders entered into

from time to time pursuant thereto, between the Borrower and Lockheed Martin Corporation.

"**Term Loan Advance**" means an Advance under the Term Loan Facility and made or held by a Lender for the account of the Borrower.

"**Term Loan Facility**" means the term loan facility made available to the Borrower in accordance with Section 2.01(1).

"**Trade Accounts Receivable**" means that portion of Accounts Receivable which arises from the sale of Inventory or the rendition of services in the ordinary course of business.

"**Transaction**" means the acquisition of Control of the Subsidiaries of Holdings by the Sponsor pursuant to the Transaction Agreement and the other transactions contemplated thereby and by the other Sponsor Transaction Documents.

"**Transaction Agreement**" means that certain agreement, dated September 12, 2009, among the Borrower, the Guarantors, Holdings, the First Lien Administrative Agent and the Lenders party to the First Lien Credit Agreement.

"**Treasury Service Agreements**" means all agreements or arrangements (including guarantees) entered into or made from time to time by the Borrower or any other Loan Party in connection with: (a) cash consolidation, cash management and credit card agreements and electronic fund transfer arrangements between the Borrower or any of its Subsidiaries and any other Person (such Person, a "**Service Lender**"), (b) overdraft facility arrangements between the Borrower or any of its Subsidiaries and any Service Lender, and (c) other similar transactions not made under this Agreement between the Borrower or any of its Subsidiaries and any Service Lender if it is agreed pursuant to a written agreement signed by the Borrower or any of its Subsidiaries and the Administrative Agent that such debts, liabilities and obligations shall be secured; and, for greater certainty, all such agreements and arrangements entered into or made by the Borrower or any other Loan Party with or in favour of any Person at the time that such Person was the "Administrative Agent" or a "Lender" hereunder shall not cease to be Treasury Service Agreements if such Person ceases to be the Administrative Agent or a Lender hereunder. Unless otherwise agreed by the Administrative Agent, the Service Lender shall be the Administrative Agent, any Lender or any Affiliate thereof.

"**Type**" has the meaning specified in the definition of "**Advance**" herein.

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the jurisdiction of organization of any applicable Loan Party.

"**UK**" means the United Kingdom.

"**UK Guarantor**" means a Subsidiary of Holdings (other than an Excluded Subsidiary) organized under the laws of the UK, in each case in its capacity as a guarantor under its Domestic Guarantee.

"**UK Pension Plans**" means each pension plan required to be registered under UK law that is maintained or contributed to by any Loan Party for its employees or former employees in the UK.

"**Unadjusted EBITDA**" means Consolidated EBITDA without the adjustments for sub paragraphs (a)(vi), (a)(vii) with respect to amortization or write-off only, (a)(ix) and (a)(xv) of the definition of Consolidated EBITDA and excluding any Acquired EBITDA for any period prior to the effective date of the acquisition and without adjustment for any Disposed EBITDA.

"**Unfunded Capital Expenditures**" means the amount of any Capital Expenditures which are funded from internally generated funds.

"**U.S. Base Rate**" means the greater of (i) the rate of interest per annum announced or established by the Administrative Agent in Canada from time to time as the reference rate of interest for borrowings in U.S. Dollars by its corporate borrowers in Canada, changing effective on the date of said corporate base rate change specified in such announcement, and (ii) the Federal Funds Rate plus 0.50% per annum. The corporate base rate is not necessarily the lowest rate charged by the Lender acting as the Administrative Agent to its customers.

"**U.S. Base Rate Advance**" means an Advance that bears interest based on the U.S. Base Rate.

"**U.S. Benefit Arrangement**" means at any time an "employee benefit plan", within the meaning of Section 3(3) of ERISA, which is neither a U.S. Plan nor a U.S. Multiemployer Plan and which is maintained, sponsored or otherwise contributed to by any Loan Party, but does not include a Canadian Pension Plan or Canadian Benefit Plan or a UK Pension Plan or UK Benefit Plan.

"**U.S. Dollars**" and "**US $**" mean lawful money of the United States of America.

"**U.S. Guarantor**" means Holdings and each Subsidiary of Holdings (other than an Excluded Subsidiary) organized under the laws of the United States, any state thereof or the District of Columbia, in each case in its capacity as a guarantor under its Domestic Guarantee.

"**U.S. Multiemployer Plan**" shall mean any employee benefit plan which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which any of the Loan Parties or any member of the ERISA Group is then making or accruing an obligation to make contributions or, within the preceding five (5) U.S. Plan years, has made or had an obligation to make such contributions and excludes any Canadian or UK Benefit Plan.

"**U.S. Plan**" shall mean at any time an employee pension benefit plan (including a Multiple Employer Plan, but not a U.S. Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained by any member of the ERISA Group

for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained by any entity which was at such time a member of the ERISA Group for employees of any entity which was at such time a member of the ERISA Group, and excludes any Canadian or UK Benefit Plan.

Section 1.02 Gender and Number

Any reference in the Second Lien Credit Documents to gender includes all genders, and words importing the singular number only include the plural and *vice versa*.

Section 1.03 Interpretation not Affected by Headings, etc.

The provisions of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this Agreement.

Section 1.04 Currency

All references in the Second Lien Credit Documents to dollars or $, unless otherwise specifically indicated, are expressed in US $.

Section 1.05 Certain Phrases, etc.

In any Second Lien Credit Document (i)(y) the words "**including**" and "**includes**" mean "**including** (or includes) without limitation" and (z) the phrase "**the aggregate of**", "**the total of**", "**the sum of**", or a phrase of similar meaning means "**the aggregate (or total or sum), without duplication, of**", and (ii) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "**to**" and "**until**" each mean "**to (or until) but excluding**". Unless the context requires otherwise or except as expressly set forth herein, (i) any definition of or reference to any agreement, instrument, documentary credit or other document (including any organization document and any Second Lien Credit Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, amended and restated, supplemented or otherwise modified or extended (subject to any restrictions on such amendments, restatements, supplements, modifications or extensions set forth herein or in any other Second Lien Credit Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and permitted assigns, (iii) all references in a Second Lien Credit Document to Articles, Sections, Exhibits, Preliminary Statements, Recitals and Schedules shall be construed to refer to Articles and Sections of, and Exhibits, Preliminary Statements, Recitals and Schedules to, the Second Lien Credit Document in which such references appear, (iv) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, extending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified, extended, replaced or supplemented from time to time.

Section 1.06 Accounting Terms

All accounting terms not specifically defined in this Agreement shall be interpreted in accordance with GAAP.

Section 1.07 Non-Business Days

Whenever any payment or delivery is stated to be due on a day which is not a Business Day, such payment or delivery shall be made on the next succeeding Business Day, and, with respect to payments, such extension of time shall be included in the computation of interest or Fees, as the case may be.

Section 1.08 Rateable Portion of Accommodations

References in this Agreement to a Lender's ratable portion of Advances and Drafts or ratable share of payments of principal, interest, Fees or any other amount, shall mean and refer to a ratable portion or share as nearly as may be ratable in the circumstances, as determined in good faith by the Administrative Agent. Each such determination by the Administrative Agent shall be prima facie evidence of such ratable share.

Section 1.09 Incorporation of Schedules

The schedules attached to this Agreement shall, for all purposes of this Agreement, form an integral part of it.

Section 1.10 Change in Financial Year

In the event that the Financial Year is changed as permitted herein, any and all amounts which are calculated based on a twelve (12) month Financial Year shall be pro-rated to account for the lengthening or shortening of the Financial Year in which the change is made.

Section 1.11 Control of Equity Securities

Any reference to "control" when used in the Second Lien Credit Documents in reference to Equity Securities constituting Collateral shall be interpreted by reference to the Securities Transfer Act, 2006, the UCC or other relevant Applicable Law in effect in the jurisdiction governing the perfection of a security interest in such Collateral.

Section 1.12 Exchange Rates

For purposes of determining the amount to be used in the calculation of any financial covenant or financial limitation in this Agreement (including, without limitation, the negative covenants contained herein), the amount of any expenditure made in a foreign currency will be determined in accordance with GAAP and the past practices of the Business.

For purposes of determining the U.S. Dollar equivalent of any amounts owing to the Borrower or repaid by the Borrower hereunder, the Administrative Agent shall determine, consistent with its then existing and customary practices, such U.S. Dollar equivalent as required hereby and such

determination thereof by the Administrative Agent shall be conclusive absent manifest error. In making such determination, the Administrative Agent may, but shall not be obligated to, rely on any determination made by any Loan Party in any document delivered to the Administrative Agent. The Administrative Agent may determine or redetermine such U.S. Dollar equivalent of such amount on any date either in its own discretion or upon the request of any Lender.

ARTICLE 2

TERM LOAN FACILITY

Section 2.01 Availability

(1) Accommodations under the Term Loan Facility shall be available as U.S. Base Rate Advances and LIBOR Advances.

(2) The failure of any Lender to make an Accommodation shall not relieve any other Lender of its obligation, if any, in connection with any such Accommodation, but no Lender is responsible for any other Lender's failure in respect of such Accommodation.

Section 2.02 Commitments and Facility Limits

(1) Except in accordance with Section 2.13, the Accommodations Outstanding owing to all Lenders shall not, at any time, exceed the Commitment, and owing to each Lender shall not at any time exceed such Lender's Commitment. The Term Loan Facility shall not revolve and any amount repaid or prepaid, as the case may be, under the Term Loan Facility, cannot be reborrowed.

Section 2.03 Use of Proceeds

(1) The Borrower shall use the proceeds of any Accommodations to finance working capital, permitted acquisitions and other general corporate purposes.

Section 2.04 Mandatory Repayments

(1) The Borrower shall repay (subject to Section 8.01) the Accommodations Outstanding, together with all interest, fees and other amounts owing in connection therewith, on the Maturity Date.

Section 2.05 Mandatory Prepayments

(1) After the Discharge of First Lien Obligations and the Discharge of EDC Obligations, an amount equal to the Net Proceeds from any Disposition of Assets pursuant to clauses (c), (g) and (h) of the definition of Permitted Dispositions in excess of US $1,000,000 in the aggregate in each Financial Year by the Loan Parties or their Subsidiaries shall be applied by the Borrower within three Business Days of receipt thereof to the prepayment of the Accommodations Outstanding in accordance with Section 2.09; provided that at the option of the Borrower, the Borrower may elect to reinvest all or any portion of such Net Proceeds in Assets useful for its business within twelve months following receipt of such

Net Proceeds; provided further (i) so long as a Default or Event of Default shall have occurred and be continuing, the Borrower shall not be permitted to make any such reinvestments (other than pursuant to a legally binding commitment entered into at a time when no Default or Event of Default was continuing) and (ii) if any Net Proceeds are not so reinvested by the deadline specified above or if any such Net Proceeds are no longer intended to be or cannot be so reinvested at any time after delivery of a notice of reinvestment election, an amount equal to any such Net Proceeds received from such Disposition shall be applied to the prepayment of Accommodations Outstanding in accordance with Section 2.09 hereof.

(2) After the Discharge of First Lien Obligations and the Discharge of EDC Obligations, in respect of each Financial Year commencing with either (a) the Financial Year beginning on October 1, 2009 if the Borrower's Financial Year ends on September 30, 2010, or (b) the Financial Year beginning on January 1, 2010 if the Borrower's Financial Year ends on December 31, 2010, the Borrower shall prepay an amount equal to 50% of Excess Cash Flow for such Financial Year. The calculation of Excess Cash Flow for any Financial Year shall be made pursuant to the Excess Cash Flow Certificate delivered pursuant to Section 7.01(1)(a)(vii), and any payment pursuant to such calculation shall be applied by the Borrower to the prepayment of the Accommodations Outstanding in accordance with Section 2.09 hereof within one Business Day of the earlier of (x) delivery to the Lenders of the Excess Cash Flow Certificate in accordance with Section 7.01(1)(a)(vii), and (y) the deadline for delivery to the Lenders of the Excess Cash Flow Certificate in accordance with 7.01(1)(a)(vii).

(3) After the Discharge of First Lien Obligations and the Discharge of EDC Obligations, an amount equal to the Net Proceeds of any insurance required to be maintained pursuant to Article 7 (other than business interruption insurance) received by any Loan Party or any of its Subsidiaries on account of each separate loss, damage or injury to any part of the Collateral in excess of US $1,000,000 in the aggregate in each Financial Year, shall be applied by the Borrower (or to the extent the Administrative Agent or the Lenders are loss payees under any insurance policy, the Administrative Agent is hereby irrevocably directed to apply such Net Proceeds) within three Business Days of receipt thereof to the prepayment of Accommodations Outstanding in accordance with Section 2.09, unless the Borrower provides notice to the Administrative Agent prior to such time that such Net Proceeds or an amount not less than such Net Proceeds are to be expended by such Loan Party or such Subsidiary for the repair or replacement of such property within 12 months following receipt of such Net Proceeds, in which case (i) provided no Default or Event of Default has occurred and is continuing, the Administrative Agent shall forward to the Borrower any such Net Proceeds received by it as a loss payee under the applicable insurance policy, (ii) the Borrower shall provide to the Administrative Agent evidence reasonably satisfactory to the Administrative Agent of such expenditure when incurred and take such steps as the Administrative Agent shall reasonably require to ensure that such Net Proceeds are subject to a first ranking Encumbrance in favour of the Administrative Agent. If any such Net Proceeds are not so expended or committed to be expended by the deadline specified above or if any such Net Proceeds are no longer intended to be or cannot be so expended at any time after delivery of a notice of repair or

replacement, an amount equal to any such unused Net Proceeds shall be applied to the prepayment of Accommodations Outstanding in accordance with Section 2.09.

(4) After the Discharge of First Lien Obligations and the Discharge of EDC Obligations, fifty percent (50%) of any Net Proceeds received by Holdings or any of its Subsidiaries from the Escrow Funds shall be applied in accordance with Section 2.09.

(5) After the Discharge of First Lien Obligations and the Discharge of EDC Obligations, any Net Proceeds received by Holdings or any of its Subsidiaries pursuant to the issuance of Equity Securities other than Permitted Issuances shall be applied in accordance with Section 2.09.

(6) After the Discharge of First Lien Obligations and the Discharge of EDC Obligations, any Net Proceeds received by Holdings or any of its Subsidiaries pursuant to the issuance of Debt (other than Permitted Debt) shall be applied in accordance with Section 2.09.

Section 2.06 Optional Prepayments and Reductions of Commitments

(1) After the Discharge of First Lien Obligations and the Discharge of EDC Obligations, the Borrower may, subject to the provisions of this Agreement, prepay without penalty or bonus any Accommodations Outstanding under the Term Loan Facility; in whole or, subject to the following sentence, in part, upon the number of Business Days notice to the Administrative Agent specified in Schedule 4 by a notice stating the proposed date and aggregate principal amount of the prepayment or reduction. In such case, the Borrower shall pay to the applicable Lenders in accordance with such notice, the amount of such prepayment. Each partial prepayment or reduction shall be in a minimum aggregate principal amount of US $1,000,000 and in an integral multiple of US $100,000.

Section 2.07 [Intentionally Omitted]

Section 2.08 Payments under this Agreement

(1) Unless otherwise expressly provided in this Agreement, the Borrower shall make any payment required to be made by it to the Administrative Agent or any Lender by depositing the amount of the payment in U.S. Dollars to the Borrower's Account not later than 12:00 p.m. (Toronto time) on the date the payment is due. The Administrative Agent shall distribute to each applicable Lender, promptly on the date of receipt by the Administrative Agent of any such payment, an amount equal to the amount then due each such Lender, and if such distribution is not made on that date, the Administrative Agent shall pay interest on the amount for each day, from the date the amount is received by the Administrative Agent until the date of distribution, at the prevailing interbank rate for late payments.

(2) The Borrower hereby authorizes each Lender, if and to the extent any payment owed to such Lender by the Borrower is not made to the Administrative Agent when due, to charge from time to time any amount due against any or all of the Borrower's Accounts with such Lender upon prior written notice to, but without the consent of the Borrower.

Section 2.09 Application of Payments and Prepayments

(1) All amounts received by the Administrative Agent from or on behalf of the Borrower and not previously applied under and pursuant to this Agreement shall be applied by the Administrative Agent as follows (i) first, in reduction of the Borrower's obligation to pay any interest and fees due and owing to the Lenders on account of the Accommodations Outstanding; (ii) second, in reduction of the Borrower's obligation to pay any claims or losses referred to in Section 15.01; (iii) third, in reduction of the Borrower's obligation to pay any amounts due and owing on account of any unpaid principal amount of Term Loan Advances in inverse order of maturity; and (iv) fourth, to the Borrower or such other Persons as may lawfully be entitled to or directed by the Borrower to receive the remainder.

Section 2.10 Computations of Interest and Fees

(1) All computations of interest (other than interest on LIBOR Advances) shall be made by the Administrative Agent taking into account the actual number of days occurring in the period for which such interest is payable pursuant to Section 3.03, and based on the U.S. Base Rate, a year of 365 days or 366 days, as the case may be, or (ii) if based on the LIBOR Rate, on the basis of a year of 360 days.

(2) All computations of Fees shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, taking into account the actual number of days (including the first day but excluding the last day) occurring in the period for which such fees are payable.

(3) For purposes of the *Interest Act* (Canada), (i) whenever any interest or Fee under this Agreement is calculated using a rate based on a number of days less than a full year, such rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate, (y) multiplied by the actual number of days in the calendar year in which the period for which such interest or fee is payable (or compounded) ends, and (z) divided by the number of days comprising such calculation basis; (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement; and (iii) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

(4) If any provision of this Agreement or of any of the other Second Lien Credit Documents would obligate a Loan Party to make any payment of interest or other amount payable to any Lender in an amount or calculated at a rate which would be prohibited by Applicable Law or would result in a receipt by such Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)) then, notwithstanding such provisions, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Applicable Law or so result in a receipt by such Lender of interest at a criminal rate, such adjustment to be effected, to the extent necessary, as follows: (1) firstly, by reducing the amount or rate of interest required to be paid to such Lender under the applicable Second Lien Credit Document, and (2) thereafter, by reducing any

fees, commissions, premiums and other amounts required to be paid to such Lender which would constitute "interest" for purposes of Section 347 of the *Criminal Code* (Canada). Notwithstanding the foregoing, and after giving effect to all adjustments contemplated thereby, if a Lender shall have received an amount in excess of the maximum permitted by that section of the *Criminal Code* (Canada), the Loan Party paying the amount shall be entitled, by notice in writing to such Lender, to obtain reimbursement from such Lender in an amount equal to such excess and, pending such reimbursement, such amount shall be deemed to be an amount payable by such Lender to such Loan Party. Any amount or rate of interest referred to in this Section 2.10(4) shall be determined in accordance with generally accepted actuarial practices and principles as an effective annual rate of interest over the term that the applicable Accommodations Outstanding remain outstanding on the assumption that any charges, fees or expenses that fall within the meaning of "interest" (as defined in the *Criminal Code* (Canada)) shall, if they relate to a specific period of time, be pro-rated over that period of time and otherwise be pro-rated over the period from the date of this Agreement to the Maturity Date and, in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Administrative Agent shall be conclusive for the purposes of such determination.

(5) In no event shall the interest rate or rates payable under this Agreement exceed the highest rate permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable. The Borrower, in executing and delivering this Agreement, intends legally to agree upon the rate or rates of interest and manner of payment stated within it; *provided*, that, anything contained herein to the contrary notwithstanding, if said rate or rates of interest or manner of payment exceeds the maximum allowable under applicable law, then, ipso facto, as of the date of this Agreement, the Borrower is and shall be liable only for the payment of such maximum as allowed by law, and payment received from the Borrower in excess of such legal maximum, whenever received, shall be applied to reduce the principal balance of the Accommodations Outstanding to the extent of such excess.

Section 2.11 Security

(1) The Borrower and Guarantors are required to provide to the Administrative Agent, for and on behalf of the Secured Parties, as collateral security for the present and future indebtedness and liability of the Borrower and the obligations of the Guarantors under the Domestic Guarantee and any Foreign Guarantees, under this Agreement and the other Second Lien Credit Documents, guarantees, liens and security interests evidenced by the following (the "**Security**"), in form and substance satisfactory to the Administrative Agent, together with any relevant required power of attorney, registrations, filings and other supporting documentation that is deemed necessary by the Administrative Agent or its counsel to perfect the same or otherwise in respect thereof, in each case subject to the terms of the Intercreditor Agreement:

(a) in the case of each Domestic Guarantor, the Domestic Guarantee under Article 22 of this Agreement;

(b) for each Canadian Guarantor (i) general security agreements, dated as of the Effective Date, constituting a security interest in all personal property (or moveable property, as applicable) and assets of the Loan Parties (including all contract rights, Inventory, accounts, general intangibles, Equity Securities, deposit accounts, trademarks, trade names, other intellectual property, equipment and proceeds of the foregoing, subject to exceptions specified therein), which charge shall be a first ranking charge, subject, if and to the extent applicable, to any Permitted Encumbrances (each being a "**Second Lien Security Agreement**") and (ii) securities pledge agreements, dated as of the Effective Date (each being a "**Second Lien Pledge Agreement**"), together with the original certificates representing the Equity Securities of such Person's Subsidiaries (to the extent certificated) and any Intercompany Notes held by such Person, accompanied by undated stock powers executed in blank (in the case of Equity Securities) and other proper instruments of transfer (in the case of Intercompany Notes);

(c) for each U.S. Guarantor, the Second Lien U.S. Security and Pledge Agreement, together with (i) the original certificates representing the Equity Securities of such Person's Subsidiaries (to the extent certificated) and any Intercompany Notes held by such Person, accompanied by undated stock powers executed in blank (in the case of Equity Securities) and other proper instruments of transfer (in the case of Intercompany Notes) and (ii) all necessary UCC filings and other required filings and/or registrations, including filings with the U.S. Copyright Office and the U.S. Patent and Trademark Office with respect to Intellectual Property of such Person;

(d) for the UK Guarantors, a Second Lien UK Debenture, together with original stock certificates representing the Equity Securities of the UK Guarantors' Subsidiaries (to the extent certificated), other than PW Allen (India) Private Ltd., and any Intercompany Notes held by such UK Guarantors, accompanied by undated stock powers executed in blank (in the case of Equity Securities) and other proper instruments of transfer (in the case of Intercompany Notes);

(e) with respect to the Material Leased Real Property, to the extent obtainable using commercially reasonable efforts, a letter or other instrument in writing from the lessor of such Material Leased Real Property (i) waiving the lessor's distress rights, (ii) providing the Administrative Agent with access to the premises on terms satisfactory to the Administrative Agent in connection with the enforcement of the Security and (iii) in the case of each Material Leased Real Property which is a manufacturing location, consenting to a leasehold charge (and, if such consent is obtained, the Security will include a leasehold security agreement);

(f) evidence of insurance held by the Loan Parties including any applicable endorsement thereon, that satisfies the requirements of Section 7.01(7).

(2) Within 30 days following the acquisition of any owned real property having a value in excess of US $1,000,000 by any Loan Party (or such later date as the Administrative Agent may agree in its reasonable discretion), such Loan Party shall execute and deliver a debenture, mortgage, deed of trust or other comparable agreement in form and substance

satisfactory to the Administrative Agent, constituting a charge on such real property of the Loan Parties, which charge shall be a second ranking charge in favour of the Administrative Agent for and on behalf of the Secured Parties, subject, if and to the extent applicable, to any Permitted Encumbrances (each being a "**Debenture**") and, in each case subject to the terms of the Intercreditor Agreement, together with:

(i) evidence that counterparts of the Debenture have been duly executed, acknowledged and delivered and are in form suitable for filing, registration or recording in all filing or recording offices that the Administrative Agent may deem necessary in order to create a valid first and subsisting lien on the property described therein in favour of the Administrative Agent for the benefit of the Secured Parties and that all filing, recording and similar taxes and fees have been paid,

(ii) fully paid title insurance policies (the "**Mortgage Policies**") in form and substance, with endorsements and in amount acceptable to the Administrative Agent, issued by title insurers acceptable to the Administrative Agent, insuring the Debenture to be a valid second charge on the real property described therein, free and clear of all Encumbrances, subject only to Permitted Encumbrances,

(iii) if required as a condition of the issuance of the Mortgage Policies, a survey by a land surveyor duly registered and licensed in the jurisdictions in which the real property described in such survey is located, all as of a date and in form reasonably acceptable to the Administrative Agent and the issuer of the Mortgage Policies, and

(iv) an opinion of local counsel for the Loan Parties in the jurisdiction in which the property is located, with respect to the enforceability and perfection of the Debenture and otherwise in form and substance satisfactory to the Administrative Agent.

(3) In connection with the entering into of a new lease for a Material Leased Real Property, or the renewal of an existing lease for a Material Leased Real Property, use (and provide to the Administrative Agent upon request evidence of) commercially reasonable efforts to obtain a leasehold security agreement and lessor consent and agreement as referred to in Section 2.11(1)(e).

(4) If, at any time after the Effective Date, any Loan Party creates or acquires a Subsidiary (other than an Excluded Subsidiary) or otherwise becomes the holder of any Equity Securities of a new Subsidiary (other than an Excluded Subsidiary), or, if any Excluded Subsidiary of a Loan Party ceases to be an Excluded Subsidiary:

(a) the applicable Loan Party will within 30 days of creation or acquisition of such Subsidiary (other than an Excluded Subsidiary), but in any event prior to the transfer of any assets to such Subsidiary (i) execute and deliver to the Administrative Agent a securities pledge agreement or an amendment to any

existing securities pledge agreement (or, in the case of the creation or acquisition of a Subsidiary by a U.S. Guarantor, an updated schedule of "Pledged Equity" under the Second Lien U.S. Security and Pledge Agreement), in form and substance satisfactory to the Administrative Agent, granting a security interest in 100% of the Equity Securities of such new or newly designated Subsidiary owned by such Loan Party; and (ii) to the extent not prohibited or restricted by Applicable Law, the applicable Loan Party will cause such new or newly designated Subsidiary (other than an Excluded Subsidiary) to promptly execute and deliver to the Administrative Agent a Domestic Guarantee or Foreign Guarantee (as applicable) and security of the nature contemplated by Section 2.11(1), (2), (4) and, to the extent obtainable using commercially reasonable efforts, (3), as applicable, all in form and substance satisfactory to the Administrative Agent; and

(b) in connection with the execution and delivery of any guarantee, pledge agreement, mortgage, security agreement or analogous document pursuant to this Section, the applicable Loan Party will, or will cause the applicable Subsidiary to, deliver to the Administrative Agent such corporate resolutions, certificates, legal opinions and such other related documents as shall be reasonably requested by the Administrative Agent and consistent with the relevant forms and types thereof delivered on the Effective Date or thereafter or as shall otherwise be acceptable to the Administrative Agent. Each guarantee, pledge agreement, mortgage, security agreement and any other analogous document delivered pursuant to this Section shall be deemed to be a Second Lien Security Document from and after the date of execution thereof.

(5) The Borrower will from time to time at its expense duly authorize, execute and deliver (or cause the applicable Loan Party to authorize, execute and deliver) to the Administrative Agent such further instruments and documents and take such further action as the Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits granted or intended to be granted to the Administrative Agent by the Second Lien Credit Documents and of the rights and remedies therein granted to the Administrative Agent, including the filing of financing statements or other documents under any Applicable Law with respect to the Encumbrances created thereby. The Loan Parties acknowledge that the Second Lien Credit Documents have been prepared on the basis of Applicable Law in effect on the Effective Date, and that changes to Applicable Law may require the execution and delivery of different forms of documentation, and accordingly the Administrative Agent shall have the right (acting reasonably) to require that the Second Lien Credit Documents be amended, supplemented or replaced (and the Borrower shall, or shall cause the applicable Loan Party to duly authorize, execute and deliver to the Administrative Agent any such amendment, supplement or replacement reasonably requested by the Administrative Agent with respect to any of the Second Lien Credit Documents) within 30 days of written request therefor (i) to reflect any change in Applicable Law, whether arising as a result of statutory amendments, court decisions or otherwise; (ii) to facilitate the creation and registration of appropriate forms of security in applicable jurisdictions; or (iii) to confer

upon the Administrative Agent Encumbrances similar to the Encumbrances created or intended to be created by the Second Lien Credit Documents.

Section 2.12 Lender Notes

(1) The Borrower agrees that upon notice by any Lender to the Borrower (with a copy of such notice to the Administrative Agent) to the effect that a promissory note or other evidence of indebtedness is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Term Loan Advances owing to, or to be made by, such Lender, the Borrower shall promptly execute and deliver to such Lender, with a copy to the Administrative Agent, (i) a promissory note in form and substance to the Administrative Agent and such Lender, payable to the order of such Lender, in a principal amount equal to the amount of such Lender's Term Loan Advances. The Borrower shall have the right to require that such note be promptly returned to such Borrower for cancellation at any time on or after the date on which such Lender ceases to be a Lender hereunder.

Section 2.13 Increases of the Term Loan Facility

(1) At the discretion of the Borrower, the Borrower may request in writing at any time after the Effective Date that the then effective aggregate principal amount of the Term Loan Advances be increased; provided that (1) each increase shall not be less than $100,000, (2) each of conditions set forth in Section 5.02 shall be satisfied, and (3) the Borrower shall, and shall cause its Subsidiaries to, execute and deliver such documents and instruments and take such other actions as may be reasonably requested by Administrative Agent in connection with such increases. Any request under this Section 2.13 shall be submitted by the Borrower to the Administrative Agent (which shall promptly forward copies to the Lenders), specify the proposed effective date, which shall be a date not less than 10 Business Days after the date on which such notice is delivered to the Administrative Agent, and amount of such increase and be accompanied by an officer's certificate stating on behalf of the Borrower that no Event of Default exists or will occur as a result of such increase.

(2) The Advances made pursuant to this Section 2.13 shall (i) be on terms and provisions identical to the Term Loan Advances made on the Effective Date, and (ii) have a maturity date no earlier than the Maturity Date; provided however, to the extent that the terms and provisions of Advances made pursuant to this Section 2.13 are not identical to the Term Loan Advances made on the Effective Date they shall be reasonably satisfactory to the Administrative Agent and the Majority Lenders.

(3) No Lender shall have any obligation, express or implied, to offer to increase the aggregate principal amount of its applicable Term Loan Advances. Only the consent of each Lender (an "**Increasing Lender**") which agrees to increase the principal amount of its Term Loan Advance shall be required for an increase in the aggregate principal amount of the applicable Term Loan Advance pursuant to this Section 2.13. Amendments to this Agreement that are required to give effect to any such increases shall only require the consent of the Borrower and the Administrative Agent. No Lender

which elects not to increase the principal amount of its Term Loan Advance may be replaced in respect of its existing applicable Term Loan Advance as a result thereof without such Lender's consent. Each Increasing Lender shall as soon as practicable specify the amount of the proposed increase which it is willing to assume. The Borrower may accept some or all of the offered amounts or designate new lenders which, if they satisfy the requirements of Section 16.01(2) as if they were Eligible Assignees seeking to become Lenders, shall qualify as additional Lenders hereunder in accordance with this Section 2.13 (each such new lender being a "**New Lender**"), which New Lenders may assume all or a portion of the increase in the aggregate principal amount of the Term Loan Advance. The Borrower and the Administrative Agent shall have discretion jointly to adjust the allocation of the increased aggregate principal amount of the applicable Term Loan Advance among Increasing Lenders and New Lenders.

(4) Each New Lender designated by the Borrower shall become an additional party hereto as a Lender concurrently with the effectiveness of the proposed increase in the aggregate principal amount of the Term Loan Advances, upon its execution of an instrument of joinder in form and substance satisfactory to the Administrative Agent. Subject to the foregoing, any increase requested by the Borrower shall be effective as of the date proposed by the Borrower and shall be in the principal amount equal to (i) the principal amount which Increasing Lenders are willing to assume as increases to the principal amount of their Term Loan Advances, plus (ii) the principal amount offered by New Lenders with respect to the Term Loan Advances, in either case as adjusted by the Borrower and the Administrative Agent pursuant to this Section 2.13.

(5) All new Term Loan Advances to be made under this Section 2.13 shall be made to the Borrower on the same day as such increase in the applicable Term Loan Advances under this Section 2.13 becomes effective. The initial Interest Periods applicable to such new and/or increased Term Loan Advances shall end on dates which correspond to the respective next succeeding Interest Period end dates applicable to the Term Loan Advances on the date such new and increased Term Loan Advances are made.

(6) All new Term Loan Advances to be made under this Section 2.13 shall constitute Advances under, and shall be entitled to all the benefits afforded by, this Agreement and the other Second Lien Credit Documents, and shall, without limiting the foregoing, benefit equally and ratably from the security interests created by the Second Lien Security Documents. The Loan Parties shall take any actions reasonably required by the Administrative Agent to ensure and/or demonstrate that the Lien and security interests granted by the Second Lien Security Documents continue to be perfected under the PPSA, the UCC or otherwise after giving effect to the establishment of any new Term Loan Advances.

ARTICLE 3

TERM LOAN FACILITY ADVANCES

Section 3.01 The Advances

(1) Each Lender agrees, on the terms and conditions of this Agreement, from time to time prior to the Maturity Date to make Term Loan Advances to the Borrower in accordance with the terms of this Agreement on any Business Day.

Section 3.02 Procedure for Borrowing

(1) Each Borrowing under the Term Loan Facility shall be in a minimum amount of US $500,000 and in an integral multiple of US $100,000 and shall be made on the number of days prior notice specified in Schedule 5, given not later than 12:00 p.m. (Toronto time) in each case by the Borrower to the Administrative Agent. Each notice of a Borrowing (a "**Borrowing Notice**") shall be in substantially the form of Schedule 3, shall be irrevocable and binding on the Borrower once given by it to the Administrative Agent, and shall specify (i) the requested date of the Borrowing; (ii) the aggregate amount and currency of the Borrowing; (iii) the Applicable Margin applicable to such Advance, and (iv) in case of a LIBOR Advance, the requested Interest Period. Upon receipt by the Administrative Agent of funds from the Lenders and fulfillment of the applicable conditions set forth in Article 5, the Administrative Agent will make such funds available to the Borrower in accordance with Article 2

Section 3.03 Interest on Advances

The Borrower shall pay interest on the unpaid principal amount of each Advance made to it, from the date of such Advance until such principal amount is repaid in full, at the following rates per annum, as specified below or as elected by the Borrower in a Borrowing Notice:

(1) **U.S. Base Rate Advances.** If and so long as such Advance is a U.S. Base Rate Advance and subject to clause (4) below, at a rate per annum equal at all times to the U.S. Base Rate in effect from time to time plus the Applicable Margin, calculated daily. All interest shall be capitalized with the principal amount of such Advance on each calculation date and shall be deemed to increase the outstanding principal amount of such Advance. Interest shall be payable in arrears, in accordance with the terms of the Intercreditor Agreement (i) at the end of the Financial Quarter ending [June 30, 2011] and each Financial Quarter thereafter, provided that payments with respect to any such Financial Quarter shall be limited to the Excess EBITDA for such Financial Quarter; and (ii) when such U.S. Base Rate Advance becomes due and payable in full pursuant to the provisions hereof.

(2) [Intentionally Omitted]

(3) **LIBOR Advances**. If and so long as such Advance is a LIBOR Advance and subject to clause (4) below, at a rate per annum equal at all times to the LIBOR plus the Applicable Margin.

(i) **Interest Periods**. In connection with each Advance that is a LIBOR Advance, the Borrower may, pursuant to the applicable Borrowing Notice, select an interest period (each an "**Interest Period**") to be applicable to such Advance, which Interest Period shall be, at the Borrower's option, either a 30 day, 60 day or 90 day period; *provided* that (a) the initial Interest Period for any Advance that is a LIBOR Advance shall commence on the date of such Advance, in the case of an Advance initially made as a LIBOR Advance, or on the date specified in the applicable Notice of Conversion/Continuation, in the case of an Advance converted to a LIBOR Advance; (b) in the case of immediately successive Interest Periods applicable to a LIBOR Advance continued as such pursuant to a Notice of Conversion/Continuation, each successive Interest Period shall commence on the day on which the next preceding Interest Period expires; (c) if an Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; *provided* that, if any Interest Period would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day; (d) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) of this Section 3.03(3)(i), end on the last Business Day of a calendar month; (e) no Interest Period shall extend beyond the maturity date of such Advance; (f) there shall be no more than ten Interest Periods outstanding at any time; and (g) in the event the Borrower fails to specify an Interest Period for any LIBOR Advance in the applicable Notice of Conversion/Continuation, the Borrower shall be deemed to have selected an Interest Period of 30 days.

(ii) **Interest Payments**. Subject to the provisions of clause (4) below, interest on each Advance shall be capitalized with the principal amount of such Advance on each Interest Payment Date applicable to that Advance and shall be deemed to increase the outstanding principal amount of such Advance. Interest shall be payable in arrears on and to each Interest Payment Date applicable to that Advance, in accordance with the terms of the Intercreditor Agreement, upon (a) any prepayment of an Advance (to the extent accrued on the amount being prepaid) at the end of the Financial Quarter ending [June 30, 2011] and each Financial Quarter thereafter, provided that payments with respect to any such Financial Quarter shall be limited to the Excess EBITDA for each Financial Quarter, and (b) at maturity (including final maturity).

(iii) **Conversion or Continuation**. The Borrower shall have the option (i) to convert at any time all or any part of its outstanding U.S. Base Rate Advances bearing interest at a rate determined by reference to one basis to the same type of Advance bearing interest at a rate determined by

reference to an alternative basis or (ii) upon the expiration of any Interest Period applicable to a LIBOR Advance, to continue all or any portion of such Advance as a LIBOR Advance.

The Borrower shall deliver a Notice of Conversion/Continuation to the Administrative Agent no later than 10:00 a.m. (New York City time) at least one Business Day in advance of the proposed conversion date and at least three Business Days in advance of the proposed conversion/continuation date (in the case of a conversion to, or a continuation of, a LIBOR Advance). A Notice of Conversion/Continuation shall specify (i) the proposed conversion/continuation date (which shall be a Business Day), (ii) the amount and type of the Advance to be converted/continued, (iii) the nature of the proposed conversion/continuation, (iv) in the case of a conversion to, or a continuation of, a LIBOR Advance, the requested Interest Period, and (v) in the case of a conversion to, or a continuation of, a LIBOR Advance, that no Event of Default has occurred and is continuing. Further, the submission by the Borrower of a Notice of Conversion/Continuation shall constitute a re-certification by the Borrower, as of the date of the proposed conversion/continuation, as to the matters to which the Borrower certified to in the applicable Borrowing Notice.

A Notice of Conversion/Continuation for conversion to, or continuation of, a LIBOR Advance shall be irrevocable on and after the related Interest Rate Determination Date, and the Borrower shall be bound to effect a conversion or continuation in accordance therewith.

(4) **Default Interest/Fees.** Upon the occurrence and during the continuance of an Event of Default, to the extent permitted by Applicable Law, the Borrower shall pay interest/fees on its obligations in respect of the Term Loan Facility ("**Default Interest**") on (i) the unpaid principal amount of each Accommodation Outstanding to each Lender, payable in arrears on the dates referred to in clause (1), (2) or (3) above, as applicable, and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Advance pursuant to clause (1), (2) or (3) above, as applicable, and (ii) the amount of any interest, fee or other amount payable under this Agreement or any other Second Lien Credit Document to the Administrative Agent or any Lender that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid.

Section 3.04 Special Provisions Governing LIBOR Advances.

Notwithstanding any other provision of this Agreement to the contrary, the following provisions shall govern with respect to LIBOR Advances as to the matters covered:

(1) **Determination of Applicable Interest Rate.** As soon as practicable after 10:00 a.m. (Toronto time) on each Interest Rate Determination Date, the Administrative Agent shall determine (which determination shall, absent manifest error, be final, conclusive and binding upon all parties) the interest rate that shall apply to the LIBOR Advances for which an interest rate is then being determined for the applicable Interest Period and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to the Borrower and each Lender.

(2) **Inability to Determine Applicable Interest Rate.** In the event that the Administrative Agent shall have determined (which determination shall be final, conclusive and binding upon all parties hereto), on any Interest Rate Determination Date with respect to any LIBOR Advances, that, by reason of circumstances affecting the interbank LIBOR market, adequate and fair means do not exist for ascertaining the interest rate applicable to such Advances on the basis provided for in the definition of LIBOR, the Administrative Agent shall on such date give notice to the Borrower and each Lender of such determination, whereupon (i) no Advances may be made as, or converted to, LIBOR Advances until such time as the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist and (ii) any Borrowing Request or Notice of Conversion/Continuation given by the Borrower with respect to the Advances in respect of which such determination was made shall be deemed to be made with respect to U.S. Base Rate Advances. Upon the Administrative Agent's determination that LIBOR Advances may again be made, the Administrative Agent shall give notice to the Borrower and each Lender of such determination, whereupon Advances may be made as, or converted to, LIBOR Advances.

(3) **Illegality or Impracticability of LIBOR Advances.** In the event that on any date any Lender shall have determined (which determination shall be final, conclusive and binding upon all parties hereto but shall be made only after consultation with the Borrower and the Administrative Agent) that the making, maintaining or continuation of its LIBOR Advances (i) has become unlawful as a result of compliance by such Lender in good faith with any law, treaty, governmental rule, regulation, guideline or order not in effect on the date of this Agreement and the date such Person became a Lender (or would conflict with any such treaty, governmental rule, regulation, guideline or order not having the force of law even though the failure to comply therewith would not be unlawful), or (ii) would cause such Lender material financial hardship as a result of contingencies occurring after the date of this Agreement which materially and adversely affect the interbank LIBOR market or the position of such Lender in that market, then, and in any such event, such Lender shall be an "**Affected Lender**" and it shall on that day give notice (by facsimile, pdf, electronic mail or by telephone confirmed in writing) to the Borrower and the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each other Lender). Thereafter, (a) the obligation of the Affected Lender to make Advances as, or to convert Advances to, LIBOR Advances shall be suspended until such notice shall be withdrawn by the Affected Lender (which such Affected Lender shall do at the earliest practicable date and shall give the Borrower and the Administrative Agent notice thereof), (b) to the extent such determination by the Affected Lender relates to a LIBOR Advance then being requested by the Borrower pursuant to a Borrowing Notice or a Notice of Conversion/Continuation, the Affected

Lender shall make such Advance as (or convert such Advance to, as the case may be) a U.S. Base Rate Advance, (c) the Affected Lender's obligation to maintain its outstanding LIBOR Advances (the "**Affected Advances**") shall be terminated at the earlier to occur of the expiration of the Interest Period then in effect with respect to the Affected Advances or when required by law, and (d) the Affected Advances shall automatically convert into U.S. Base Rate Advances on the date of such termination. Except as provided in the immediately preceding sentence, nothing in this section shall affect the obligation of any Lender other than an Affected Lender to make or maintain Advances as, or to convert Advances to, LIBOR Advances in accordance with the terms of this Agreement.

(4) **Compensation For Breakage or Non-Commencement of Interest Periods**. The Borrower shall compensate each Lender, upon written request by that Lender (which request shall set forth the basis for requesting such amounts and a detailed calculation), for all reasonable losses (not including lost profits), expenses and liabilities (including any interest paid by that Lender to lenders of funds borrowed by it to make or carry its LIBOR Advances and any loss, expense or liability sustained by that Lender in connection with the liquidation or re-employment of such funds) which that Lender may sustain: (i) if for any reason (other than a failure to fund or default by that Lender) a borrowing of any LIBOR Advance does not occur on a date specified therefor in a Borrowing Notice, or a conversion to or continuation of any LIBOR Advance does not occur on a date specified therefor in a Notice of Conversion/Continuation, (ii) if any prepayment or other principal payment or any conversion of any of its LIBOR Advances occurs on a date prior to the last day of an Interest Period applicable to that Advance, (iii) if any prepayment of any of its LIBOR Advances is not made on any date specified in a notice of prepayment given by the Borrower, or (iv) as a consequence of any other default by the Borrower in the repayment of its LIBOR Advances when required by the terms of this Agreement. Notwithstanding the foregoing, no Lender is required to purchase Dollar deposits in the London interbank market or any other offshore dollar market to fund or match fund LIBOR Advances, and the provisions hereunder shall be deemed to apply as if each such Lender had purchased such deposits for each applicable Interest Period to fund or match fund the corresponding LIBOR Advance.

(5) **Booking of LIBOR Advances**. Any Lender may make, carry or transfer LIBOR Advances at, to, or for the account of any of its branch offices or the office of an Affiliate of that Lender.

ARTICLE 4

[Intentionally Omitted.]

ARTICLE 5

CONDITIONS OF LENDING

Section 5.01 Conditions Precedent to the Initial Accommodation

The obligation of each Lender to make its initial Accommodation under the Term Loan Facility on or after the Effective Date is subject to: (i) the applicable conditions precedent in Section 5.02; and (ii) the condition precedent that the Administrative Agent and each Lender shall be satisfied with, or the Borrower shall have delivered to the Administrative Agent, as the case may be, on or before the day of such initial Accommodation, the following in form, substance and dated as of a date satisfactory to the Administrative Agent and its counsel and in such number of copies as may reasonably be requested by the Administrative Agent:

(1) a certified copy of (i) the charter documents and by-laws (or equivalent governing documents) of each Loan Party; (ii) the resolutions of the board of directors (or any duly authorized committee or other governing body thereof) or of the shareholders, as the case may be, of each Loan Party approving the borrowing and other matters provided for in this Agreement and approving the entering into of all other Second Lien Credit Documents to which they are a party and the completion of all transactions contemplated thereunder; (iii) all other instruments evidencing necessary corporate, company or partnership action of each Loan Party and of any required Authorization with respect to such matters; and (iv) certifying the names and true signatures of its officers authorized to sign this Agreement and the other Second Lien Credit Documents manually or by mechanical means;

(2) a certificate of status, compliance, good standing or like certificate with respect to each Loan Party (other than a Disposed Entity and the UK Guarantors) issued by the appropriate government official in the jurisdiction of its incorporation;

(3) confirmation, in form and substance satisfactory to the Lenders, that the Second Lien Security Documents secure the Term Loan Facility;

(4) evidence in form and substance satisfactory to the Administrative Agent that all Deposit Account Control Agreements required pursuant to Section 7.01(18)(b)(i) are in full force and effect;

(5) except with respect to a Disposed Entity, evidence of filing or registration in the necessary jurisdictions of the Encumbrances or notice thereof in favour of the Administrative Agent on behalf of the Secured Parties, as required under Applicable Law, created by the Second Lien Security Documents in order to preserve, perfect or protect such Encumbrances or (in the case of the UK Guarantors) other arrangements for effecting such registrations acceptable to the Administrative Agent, together with all searches necessary in connection herewith;

(6) all Fees and expenses (including the reasonable financial and legal fees and disbursements of advisors to the Administrative Agent) then due and payable under the Second Lien Credit Documents shall have been paid in full;

(7) [Intentionally Omitted]

(8) except with respect to a Disposed Entity, satisfactory evidence that the Administrative Agent (on behalf of the Lenders) shall have a valid and perfected second priority (subject to Permitted Encumbrances) security interest in the Collateral or that arrangements in respect thereof shall have been made that are reasonably satisfactory to the Administrative Agent, in each case to the extent required by the terms hereof and by the Second Lien Security Documents;

(9) a certificate of a Responsible Officer of the Borrower confirming the absence of any action, suit, investigation or proceeding pending or, to the knowledge of Holdings or any of its Subsidiaries, threatened in any court or before any arbitrator or Governmental Authority that could reasonably be expected to have a Material Adverse Effect;

(10) a certificate of a Responsible Officer of the Borrower confirming that the business of Holdings and its Subsidiaries is restricted to the Business;

(11) there has been no event, development or circumstance since [June 30, 2009] that is not known to the Lenders that has had or could reasonably be expected to have a Material Adverse Effect;

(12) evidence reasonably satisfactory to the Administrative Agent of the insurance of Holdings and its Subsidiaries required to be maintained by the terms of the Second Lien Credit Documents, together with the endorsements required by this Agreement;

(13) evidence reasonably satisfactory to the Administrative Agent that Holdings and its Subsidiaries are in compliance with export control restrictions in Canada, the United States, the UK and any other relevant jurisdiction and the Borrower's processes to monitor such compliance are satisfactory;

(14) the Administrative Agent and the Lenders shall have received from the Loan Parties such other certificates, instruments and documents as the Administrative Agent or the Lenders may reasonably request;

(15) the Borrower, the First Lien Administrative Agent and the other parties thereto shall have entered into that certain First Lien Credit Agreement;

(16) the Borrower, the First Lien Administrative Agent, EDC, the Administrative Agent and the other parties thereto shall have entered into that certain Intercreditor Agreement; and

(17) all conditions precedent to the consummation of the transactions contemplated under the Transaction Agreement have been satisfied or waived by the appropriate party.

Section 5.02 Conditions Precedent to All Accommodations

(1) The obligation of each Lender to make Accommodations or otherwise give effect to any Borrowing Notice hereunder shall be subject to the conditions precedent that on the date of such Borrowing Notice and Accommodation, and immediately after giving effect

thereto and to the application of any proceeds therefrom, (x) the representations and warranties contained in Article 6 are true and correct in all respects on and as of such date, all as though made on and as of such date except for those changes to the representations and warranties which have been disclosed to and accepted by the Administrative Agent and the Lenders pursuant to Section 17.01 and any representation and warranty which is stated to be made as of a certain date (and then as of such date); and (y) no event or condition has occurred and is continuing, or would result from such Accommodation or giving effect to such Borrowing Notice, which constitutes a Default or an Event of Default.

(2) Each of the giving of any Borrowing Notice by the Borrower and the acceptance by the Borrower of any Accommodation shall be deemed to constitute a representation and warranty by the Borrower that, on the date of such Borrowing Notice or Accommodation, as the case may be, and after giving effect thereto and to the application of any proceeds therefrom, the statements set forth in Section 5.02(1) are true and correct.

Section 5.03 No Waiver

The making of an Accommodation or otherwise giving effect to any Borrowing Notice hereunder, without the fulfillment of one or more conditions set forth in Section 5.02, shall not constitute a waiver of any such condition, and the Administrative Agent and the Lenders reserve the right to require fulfillment of such condition in connection with any subsequent Accommodation.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

Section 6.01 Representations and Warranties

The Loan Parties represent and warrant to each Lender and to the Administrative Agent, on the Effective Date and on each other date required by Section 5.02, acknowledging and confirming that each Lender is relying thereon without independent inquiry in entering into this Agreement and providing Accommodations hereunder, that:

(1) **Incorporation and Qualification.** Each Loan Party and each of its Subsidiaries is duly incorporated or formed, continued or amalgamated as the case may be, and validly existing under the laws of the jurisdiction of its organization and each is duly qualified, licensed or registered to carry on business under the laws applicable to it in all jurisdictions in which the nature of its Assets or business makes such qualification necessary except where failure to be so qualified, licensed, registered could not reasonably be expected to have a Material Adverse Effect.

(2) **Corporate Power.** Each Loan Party and each of its Subsidiaries has all requisite corporate or other power and authority to (i) own and operate its properties and Assets and to carry on the Business carried on by it; and (ii) enter into and perform its obligations under this Agreement and the other Second Lien Credit Documents to which it is a party.

(3) **Conflict with Other Instruments.** The execution and delivery of the Second Lien Credit Documents by each Loan Party which is a party thereto and the performance by each Loan Party of its respective obligations thereunder and compliance with the terms, conditions and provisions thereof, will not (i) conflict with or result in a breach of any of the material terms, conditions or provisions of (A) its constating documents or by-laws, (B) any Applicable Law, (C) any material contractual restriction binding on or affecting it or its properties, or (D) any judgment, injunction, determination or award which is binding on it; or (ii) result in, require or permit (a) the imposition of any Encumbrance in, on or with respect to the Assets now owned or hereafter acquired by it (other than pursuant to the Second Lien Security Documents or which is a Permitted Encumbrance), or (b) the acceleration of the maturity of any material Debt binding on or affecting it.

(4) **Authorization, Governmental Approvals, etc.** The execution and delivery of each of the Second Lien Credit Documents by each Loan Party which is a party thereto and the performance by each such Loan Party of its respective obligations hereunder and thereunder have been duly authorized by all necessary corporate, partnership or analogous action and no Authorization, under any Applicable Law, with any Governmental Authority, is or was necessary therefor or to perfect the same, except as are in full force and effect, unamended, except (other than with respect to any Governmental Authority) where failure to obtain or make such Authorization could not reasonably be expected to have a Material Adverse Effect.

(5) **Execution and Binding Obligation.** This Agreement and the other Second Lien Credit Documents have been duly executed and delivered by each Loan Party which is a party thereto and constitute legal, valid and binding obligations of such Loan Party, enforceable against it in accordance with their respective terms, subject only to any limitation under Applicable Laws relating to (i) bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally; and (ii) general equitable principles including the discretion that a court may exercise in the granting of equitable remedies.

(6) **Financial Condition; No Material Adverse Effect.** (i) The combined, consolidated balance sheets, income statements and cash flow statements of the Reporting Companies and their Subsidiaries, delivered pursuant to Section 7.01(1)(a) when furnished, will present, fairly, in all material respects, the combined, consolidated financial position and results of operations and cash flows of the Reporting Companies and their Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year end audit adjustments and the absence of footnotes in the case of unaudited statements. There has been no event, development or circumstance of which any Loan Party is aware that has had or could reasonably be expected to have a Material Adverse Effect other than what has been previously disclosed to the Lenders on or before the Effective Date. When taken as a whole, all factual information (including that disclosed in all financial statements) pertaining to the Loan Parties that has been or will be made available to the Lenders or the Administrative Agent by or on behalf of the Borrower, other than projections, is or will be, when furnished, complete and correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such

statements are made. The projections that have been or will be made available to the Lenders or the Administrative Agent by the Borrower have been or will be prepared in good faith based upon reasonable assumptions. The Borrower shall be entitled to qualify the foregoing by attaching Schedule 12 to any Borrowing Notice issued by the Borrower to the Administrative Agent until June 30, 2010.

(7) **Litigation.** Schedule A lists all material actions, suits or proceedings (including any Tax-related matters) by or before any arbitrator or Governmental Authority or by any elected public official or by any other Person pending against or, to the knowledge of any Loan Party, threatened in writing against or affecting any Loan Party or any of their Subsidiaries (collectively, "**Proceedings**") as of the Effective Date. There are no Proceedings (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, or (ii) that involve this Agreement or any other Second Lien Credit Document. Neither Holdings nor any of its Subsidiaries is, to its knowledge, subject to any investigation in respect of its Business and its compliance with Applicable Law which, if adversely determined, could reasonably be expected to be material and adverse to the Loan Parties, taken as a whole.

(8) **Location of Business, Executive Offices and Collateral.** Schedule B discloses, as of the Effective Date: (i) the only jurisdictions (or registration districts within such jurisdictions) in which any Loan Party has any place of business, (ii) the location of each chief executive office and principal place of business of each Loan Party, and (iii) the warehouses and premises at which any Collateral having a value in excess of US $1,000,000 is located.

(9) **Material Permits.** Schedule C lists all Material Permits necessary for each Loan Party to properly conduct its respective business as at the Effective Date. Each Loan Party possesses all such Material Permits (and any others that may become required from time to time after the Effective Date to properly conduct its respective business). Each such Material Permit is (i) in full force and effect, (ii) not subject to any dispute, and (iii) is not in default, nor has any event occurred that, with the giving of notice, lapse of time or both, would constitute a default under or in respect of any Material Permit.

(10) **Intellectual Property**

(a) Each Loan Party is the registered and beneficial owner of, with good and marketable title, free of all Encumbrances other than Permitted Encumbrances, all Registered Intellectual Property, without any conflict with the rights of any other Person, other than to the extent that the absence of such title or the existence of such conflicts or Encumbrances could not reasonably be expected to have a Material Adverse Effect.

(b) The Registered Intellectual Property is (i) currently in compliance with any and all formal legal requirements necessary to record and perfect the Loan Parties' interest therein and the chain of title thereof, and (ii) to the knowledge of the Loan Parties, valid and enforceable.

(c) Except as could not have a Material Adverse Effect, (i) each Loan Party owns or otherwise has a right to use all Intellectual Property used in and material to the operation of such Loan Party's business, and (ii) there are no other items of Intellectual Property that are material to or necessary for the operation of such Loan Party's business.

(d) Schedule D discloses, as of the Effective Date all (i) material Registered Intellectual Property; and (ii) material Licensed Intellectual Property.

(e) As of the Effective Date, no written claim (and, to the knowledge of the Loan Parties, no verbal claim) has been asserted in the past three (3) years or is currently pending by any Person with respect to the use by any Loan Party of any Intellectual Property or challenging the validity or enforceability of any Owned Intellectual Property or Licensed Intellectual Property, except for any such claim that could not reasonably be expected to have a Material Adverse Effect.

(f) Except as could not have a Material Adverse Effect, no Person is engaging in any activity that infringes, misappropriates or otherwise violates any Owned Intellectual Property or Licensed Intellectual Property.

(g) Each Loan Party has taken commercially reasonable measures to maintain the confidentiality and value of all material trade secrets, and the confidentiality of all other confidential information, used or held for use in the operation of the business of such Loan Party ("**Trade Secrets**"). To the knowledge of the Loan Parties, no material Trade Secrets have been disclosed by the Loan Parties to any Person except (i) pursuant to valid and appropriate non-disclosure and/or license agreements, (ii) to Persons otherwise under a duty of confidentiality to the Loan Parties, or (iii) under a protective order issued by a Governmental Authority or arbitral body.

(h) Except as could not reasonably be expected to have a Material Adverse Effect, the conduct of each Loan Party's business does not infringe, misappropriate or otherwise violate the Intellectual Property rights of any other Person.

(11) **Ownership of Property.** Each Loan Party owns or otherwise by lease or licence has the right to use all Assets required to carry on its business as currently conducted. As of the Effective Date, none of the Loan Parties owns any real property.

(12) **Leased Properties.** Schedule E is a complete and accurate list of all Leased Real Property as of the Effective Date and all Material Leased Real Property is indicated as such therein. Each lease of Material Leased Real Property is in good standing in all material respects and all amounts owing thereunder have been paid by the applicable Loan Party except for any such amount which is the subject of a bona fide dispute.

(13) **Insurance.** All material policies of fire, liability, workers' compensation, casualty, flood, business interruption and other forms of insurance owned or held by each Loan Party are (a) sufficient for compliance with all requirements of Applicable Law, (b) are valid, outstanding and enforceable policies, and (c) provide adequate insurance coverage

in at least such amounts and against at least such risks (but including in any event public liability) as are usually insured against in the same general area by companies engaged in the same or a similar business for the assets and operations of such Loan Party. All such material policies are in full force and effect, all premiums with respect thereto have been paid in accordance with their respective terms, and no notice of cancellation or termination has been received with respect to any such policy. None of the Loan Parties maintains any formalized self-insurance or co-insurance program with respect to its assets or operations or material risks with respect thereto.

(14) **Compliance with Applicable Laws.** Each Loan Party and each of its Subsidiaries is in compliance with all Applicable Laws, except for non-compliance which could not reasonably be expected to have a Material Adverse Effect.

(15) **No Default.** None of the Loan Parties is in default nor has any event or circumstance occurred which, but for the passage of time or the giving of notice, or both, could constitute a default under any loan or credit agreement, indenture, mortgage, deed of trust, security agreement or other instrument or agreement evidencing or pertaining to any Debt of any Loan Party.

(16) **Subsidiaries, etc.** Schedule F discloses, as of the Effective Date, each Subsidiary of Holdings (and the ownership thereof). Except as set out in Schedule F, as of the Effective Date: (i) Holdings is the direct or indirect beneficial owner of all of the issued and outstanding shares or partnership interests, as the case may be, of each other Loan Party; (ii) no Person (other than a Loan Party) has any right or option to purchase or otherwise acquire any of the issued and outstanding shares or partnership interests, as the case may be, of any Subsidiary of Holdings; and (iii) Holdings does not own or hold any shares of, or any other interest in, directly or indirectly, any other Person. Schedule F discloses with regards to each Loan Party, its jurisdiction of incorporation or organization, its organizational number and, for each U.S. Guarantor, its U.S. taxpayer identification number.

(17) **Existing Encumbrances.** There are no Encumbrances on or in the Assets of any Loan Party other than Permitted Encumbrances.

(18) **Debt.** Holdings and its Subsidiaries have no Debt other than Permitted Debt.

(19) **Material Agreements.** As of the Effective Date, none of the Loan Parties is a party or otherwise subject to or bound or affected by any Material Agreement, except as set out in the definition of such term. As of the Effective Date, all Material Agreements are in full force and effect, unamended, and none of the Loan Parties, or to any Loan Party's knowledge, any other party to any such agreement is in default in any material respect with respect thereto.

(20) **Books and Records.** To and including the Effective Date, all books and records of each Loan Party and each of its Subsidiaries have been fully, properly and accurately kept and completed in accordance with GAAP (to the extent applicable) in all material respects,

and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

(21) **Tax Liability and Priority Payables.** Each Loan Party and each of its Subsidiaries has timely filed or caused to be filed all returns in respect of Taxes required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it (including all instalments with respect to the current period) and has made adequate provision for Taxes for the current period (other than immaterial Taxes and Taxes that are being contested in good faith by appropriate proceedings and for which such Loan Party or such Subsidiary has, if required, set aside on its books adequate reserves in accordance with GAAP, or as to which waivers or extensions have been granted by the applicable Governmental Authority) and no Tax liens have been filed and no claims are being asserted in writing with respect to any such Taxes. Each Loan Party and each of its Subsidiaries has timely paid or caused to be paid all obligations constituting Priority Payables other than Priority Payables that are being contested in good faith by appropriate proceedings.

(22) **Environmental Matters.** Except as disclosed in Schedule G, neither the property that is leased, owned or used by any Loan Party or any of its Subsidiaries, nor the operations conducted thereon, are subject to any applicable order of any Governmental Authority or any Environmental Liability or contravene any Environmental Laws, in a manner which could, individually or in aggregate, reasonably be expected to result in material environmental remedial obligations. Except for matters that, individually or in the aggregate, could not reasonably be expected to result in any material environmental remedial obligations, none of the Loan Parties or their Subsidiaries (i) has contravened any Environmental Law, including the failure to obtain, maintain or comply with any Environmental Permit, (ii) to the knowledge of any Loan Party, there are no facts, circumstances or conditions with respect to the Business or owned, leased or used property used by any Loan Party that could reasonably be expected to result in any Loan Party incuring any Environmental Liability or (iii) has received written notice of any claim with respect to any Environmental Liability.

(23) **Margin Stock.** None of the Loan Parties engages or intends to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U). No part of the proceeds of any Accommodation has been or will be used, immediately, incidentally or ultimately, to purchase or carry any margin stock or to reduce, retire or refund indebtedness originally incurred for such purpose or for any other purpose which might constitute this transaction as a "purpose credit" within the meaning of Regulation U. Neither any Loan Party nor any agent acting on their behalf have taken or will take any action which might cause any Second Lien Credit Document to violate Regulation U or any other regulation of the Board of Governors of the Federal Reserve.

(24) **Investment Companies; Regulated Entities.** None of the Loan Parties is an "investment company" or is registered or required to be registered under the Investment Company Act of 1940 or is under the "control" of an "investment company" as such

terms are defined in the Investment Company Act of 1940 and shall not become such an "investment company" or under such "control". None of the Loan Parties are subject to any other Federal or state or provincial statute or regulation materially limiting its ability to incur indebtedness for borrowed money.

(25) **Solvency.** The Borrower and its Subsidiaries are Solvent on a combined, consolidated basis, and each of the U.S. Guarantors is Solvent.

(26) **Canadian and UK Benefit and Pension Plans.** The Canadian Pension Plans and the UK Pension Plans are duly registered under the Tax Act (in the case of the Canadian Pension Plans) and any other Applicable Laws which require registration, have been established, qualified, administered and funded in all material respects in accordance with the terms of such plans, the Tax Act and such other Applicable Laws and no event has occurred which could reasonably be expected to cause the loss of such registered status or otherwise adversely affect the tax status of such plans, except to the extent that any failure to do so could not reasonably be expected to have a Material Adverse Effect. No Canadian Pension Plan and no UK Pension Plan provides benefits determined on a defined benefit basis. All material obligations of each Loan Party and each of its Subsidiaries required to be performed in connection with the Canadian Pension Plans and the UK Pension Plans and the funding agreements therefor have been performed on a timely basis. There are no outstanding disputes concerning the assets of any of the Canadian or UK Benefit Plans which could reasonably be expected to have a Material Adverse Effect. No promises of benefit improvements under any of the Canadian or UK Benefit Plans have been made except where such improvement could not reasonably be expected to have a Material Adverse Effect. All employer and employee payments, contributions or premiums required to be made or paid by each Loan Party or any of its Subsidiaries to the Canadian or UK Benefit Plans have been made on a timely basis in accordance with the terms of such plans and all Applicable Laws. No facts or circumstances have occurred or exist that could entitle any Person, without consent of the Borrower, to wind up or terminate, in whole or in part, any Canadian or UK Benefit Plan, Canadian Pension Plan or UK Pension Plan under Applicable Law. There are no unfunded liabilities in respect of any Canadian or UK Benefit Plan, Canadian Pension Plan or UK Pension Plan. None of the Canadian or UK Benefit Plans, Canadian Pension Plans or UK Pension Plans provides benefits beyond retirement or other termination of services to employees or former employees or to the beneficiaries or dependents of such employees.

(27) **U.S. Plans and U.S. Benefit Arrangements.**

(a) Each Loan Party is in compliance in all material respects with any applicable provisions of ERISA with respect to all U.S. Benefit Arrangements, U.S. Plans and U.S. Multiemployer Plans. There has been no Prohibited Transaction with respect to any U.S. Benefit Arrangement or any U.S. Plan that could reasonably be expected to have a Material Adverse Effect or, to the knowledge of any Loan Party, with respect to any U.S. Multiemployer Plan or any Multiple Employer Plan, which could result in any material liability of any Loan Party. Each Loan Party and each member of the ERISA Group has made when due any and all

payments required to be made under any agreement relating to a U.S. Multiemployer Plan or a Multiple Employer Plan or any Applicable Law pertaining thereto. With respect to each U.S. Plan and U.S. Multiemployer Plan, each Loan Party and each member of the ERISA Group (i) has fulfilled in all material respects their obligations under the minimum funding standards of ERISA, (ii) has not incurred any liability to the PBGC other than for payment of premiums in the ordinary course of business, and (iii) has not had asserted against it any penalty for failure to fulfill the minimum funding requirements of ERISA.

(b) No Loan Party or member of the ERISA Group has instituted or has any current intention to institute proceedings to terminate any U.S. Plan, that could reasonably be expected to result in any material liability.

(c) No event requiring notice to the PBGC under Section 302(f)(4)(A) of ERISA has occurred or is reasonably expected to occur with respect to any U.S. Plan, and no amendment with respect to which security is required under Section 307 of ERISA has been made or is reasonably expected to be made to any U.S. Plan.

(d) (i) Neither any of the Loan Parties nor any members of the ERISA Group has incurred or reasonably expects to incur any material withdrawal liability under ERISA to any U.S. Multiemployer Plan or Multiple Employer Plan, (ii) no Loan Party and no other member of the ERISA Group has been notified by any U.S. Multiemployer Plan or Multiple Employer Plan that such U.S. Multiemployer Plan or Multiple Employer Plan has been terminated within the meaning of Title IV of ERISA and (iii) to the best knowledge of each Loan Party or member of the ERISA Group, no U.S. Multiemployer Plan or Multiple Employer Plan is reasonably expected to be reorganized or terminated, within the meaning of Title IV of ERISA.

(e) To the extent that any U.S. Benefit Arrangement is insured, the Loan Parties have paid when due all premiums required to be paid for all periods through the Effective Date. To the extent that any U.S. Benefit Arrangement is funded other than with insurance, the Loan Parties have made when due all contributions required to be paid for all periods through the Effective Date.

(f) All U.S. Plans, U.S. Benefit Arrangements and U.S. Multiemployer Plans have been administered in all material respects in accordance with their terms and Applicable Law.

(28) **Anti-Terrorism Laws.**

(a) No Loan Party and, to the knowledge of the Loan Parties, none of its Affiliates is in violation of any Anti-Terrorism Laws.

(b) No Loan Party and to the knowledge of the Loan Parties, no Affiliate or broker or other agent of any Loan Party acting or benefiting in any capacity in connection with the Loans is any of the following:

(i) a person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224 (the "**Executive Order**");

(ii) a person owned or controlled by, or acting for or on behalf of, any person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order;

(v) a person that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control ("**OFAC**") at its official website or any replacement website or other replacement official publication of such list; or;

(vi) a person that is named on any of the following documents: (1) the Financial Sanctions Unit of the Bank of England "Consolidated List", (2) the list of listed entities maintained pursuant to the Code or the list of listed persons maintained pursuant to the UN Regulations, (3) the Australian Department of Foreign Affairs and Trade "Charter of the Nations (Anti-terrorism-Persons and Entities) List". (4) the United Nations Security Council Counter-Terrorism Committee "Consolidated List", or (5) European Union Commission Regulation No. 1996/2001 of October 11, 2001;

(c) Each Loan Party is in compliance with the United States Foreign Corrupt Practices Act and the *Corruption of Foreign Public Officials Act* (Canada);

(d) No Loan Party and, to the knowledge of the Loan Parties, no broker or other agent of any Loan Party acting in any capacity in connection with the Loans (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person described in the foregoing paragraphs, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

(29) **Labour Matters.** As of the Effective Date, none of the Loan Parties is a party, either directly, voluntarily or by operation of law, to any collective agreement, letter of understanding, letter of intent or other written communication with any bargaining agent, trade union or association which may qualify as a trade union, which would apply to any employees of any Loan Party. There are no outstanding or, to the knowledge of the Loan Parties, threatened strikes, unfair labour practices, complaints or applications under

applicable labour laws of any kind against any Loan Party which could reasonably be expected to have a Material Adverse Effect, including any proceedings which could result in certification of a trade union as bargaining agent for employees of any Loan Party. As of the Effective Date, there are, to the knowledge of the Loan Parties, no threatened or apparent union organizing activities involving any employees of any Loan Party. None of the Loan Parties is aware of any labour problems that could reasonably be expected to lead to an interruption of operations or any Loan Party at any location or otherwise have a Material Adverse Effect. Hours worked and payments made to the employees of the Loan Parties comply in all material respects with the Fair Labor Standards Act and all other Applicable Laws dealing with such matters. All payments due from the Loan Parties, or, to the knowledge of the Loan Parties for which any claim may be made against any of them, on account of wages and employee and retiree health and welfare insurance and other benefits have in all material respects been paid or accrued as a liability on their books, as the case may be.

(30) **Customers and Suppliers.** As at the Effective Date, there exists no actual or threatened termination, cancellation or limitation of, or material adverse modification to or material adverse change in, the business relationship between (i) any Loan Party, on the one hand, and any customer or any group thereof, on the other hand, whose agreements with any Loan Party are individually or in the aggregate material to the business or operations of such Loan Party, or (ii) any Loan Party, on the one hand, and any material supplier thereof, on the other hand.

(31) **Securities and Instruments.**

(a) All Intercompany Equity Securities owned by the Loan Parties have been duly and validly issued and acquired and are fully paid and non-assessable. All Intercompany Notes owned by the Loan Parties have been, duly and validly issued and are enforceable obligations of the debtor thereunder. As of the Effective Date, Schedule J sets out the amount, class and holder of all Intercompany Equity Securities and the amount, lender and borrower of each Intercompany Note.

(b) Except as described in the applicable issuer's constating documents, no transfer restrictions apply to any Intercompany Equity Securities listed in Schedule J. The Loan Parties have delivered to the Administrative Agent copies of all shareholder, partnership, limited liability company or trust agreements applicable to each issuer of such Intercompany Equity Securities and Intercompany Notes.

(c) Except as described in Schedule J, as of the Effective Date, no Person has or will have any written or oral option, warrant, right, call, commitment, conversion right, right of exchange or other agreement or any right or privilege (whether by Applicable Law, pre-emptive or contractual) capable of becoming an option, warrant, right, call, commitment, conversion right, right of exchange or other agreement to acquire any right or interest in (i) any of the Intercompany Equity Securities and Intercompany Notes owned by the Loan Parties and (ii) any of the Equity Securities of the Borrower.

(d) The grants of security and deliveries to the Administrative Agent by the Loan Parties in certificated Equity Securities constituting Collateral pursuant to the Second Lien Security Documents to which such Loan Parties are party create valid and perfected security interests in such certificated Equity Securities, and the proceeds of them. Subject to Permitted Encumbrances, such Equity Securities and the proceeds from them are not subject to any prior Encumbrance or any agreement purporting to grant to any third party an Encumbrance on the property or assets of the Loan Parties which would include the Equity Securities. The Administrative Agent is entitled to all the rights, priorities and benefits afforded by the PPSA, UCC or other relevant personal property securities legislation as enacted in any relevant jurisdiction (if and as applicable) to perfect security interests in respect of such Collateral.

(32) **Share Capital.** As of the Effective Date, and other than obligations under this Agreement, there were there no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) obligating Holdings to issue or sell Common Shares or any other securities in the capital of Holdings, or any securities or obligations of any kind convertible into or exchangeable for such Common Shares or others securities. All outstanding Common Shares have been authorized and are validly issued and outstanding as fully paid and non-assessable shares, free of pre-emptive rights, and there are no outstanding contractual obligations of the Borrower to repurchase, redeem or otherwise acquire any outstanding Common Shares or with respect to the voting or disposition of any outstanding Common Shares.

(33) **Disposed Entities.** As of the Effective Date, none of the Disposed Entities own any assets or property, engage in any business, operations or activities, are party to any agreements, are obligors under any Debt, or are bound by any judgment or order of any Governmental Authority.

Section 6.02 Survival of Representations and Warranties

The representations and warranties herein set forth or contained in any certificates, notices or documents delivered to the Administrative Agent and the Lenders pursuant hereto shall not merge in or be prejudiced by and shall survive any Accommodation hereunder and shall continue in full force and effect (as of the date when made or deemed to be made) so long as any amounts are owing by the Borrower to the Lenders hereunder.

ARTICLE 7

COVENANTS OF THE LOAN PARTIES

Section 7.01 Affirmative Covenants

So long as (i) any amount owing hereunder remains unpaid, or (ii) any Lender has any obligation to make an Advance under this Agreement, and unless consent or waiver is given in accordance with Section 17.01 hereof, each Loan Party shall:

(1) **Reporting Requirements.** During the term of this Agreement, prepare (where applicable, in accordance with GAAP) and deliver to the Administrative Agent on behalf of the Lenders:

(a) Financial Reporting

(i) as soon as practicable and in any event within 45 days of the end of each Financial Quarter of the Reporting Companies (excluding the fourth Financial Quarter, unless the Financial Year end is changed to December 31, 2009 when this exclusion will not apply), the interim unaudited combined, consolidated financial statements of the Reporting Companies and their Subsidiaries, as at the end of such Financial Quarter prepared in accordance with GAAP including the reporting package requirements set forth on Schedule 10 hereto;

(ii) as soon as practicable and in any event within 105 days of the end of each Financial Year of the Reporting Companies (provided, if the Financial Year end is changed to December 31, 2009, such period shall be 150 days from the end of such Financial Year) (x) the annual audited combined, consolidated financial statements of the Reporting Companies and their Subsidiaries prepared in accordance with GAAP including, without limitation, a balance sheet, statement of income and retained earnings and a statement of changes in financial position for such Financial Year (which financial statements shall be audited and certified by a internationally recognized accounting firm without any Impermissible Qualification, setting forth in each case in comparative form the figures for the previous Financial Year, and (y) a comparison of the figures for the Financial Year just completed to the figures for the previous Financial Year and the Annual Business Plan (including, to the extent applicable, the divisional breakdown analysis) in respect of such previous Financial Year, together with a management narrative regarding any material variances;

(iii) as soon as available after the end of each calendar month and in any event no later than 35 days after the end of each calendar month, the interim internally-prepared unaudited combined, consolidated financial statements of the Reporting Companies and their Subsidiaries as at the end of the preceding month prepared in accordance with GAAP including, without limitation, a balance sheet, statement of income and cash flow statement, provided that the Borrower shall provide the financial statements for the first month ended after any Financial Year on or before 60 days from the end of such month and the financial statements for the second month ended after any Financial Year on or before 45 days after the end of such month. The Borrower shall provide a certificate, on a quarterly basis, signed on its behalf by its Chief Financial Officer that the statements delivered in accordance with this clause have been prepared accurately and in accordance with GAAP and accurately reflect the results of the

Reporting Companies and their Subsidiaries for the period being reported on in all material respects;

(iv) concurrently with the delivery of the financial statements contemplated in clauses (i) and (ii) above, a Compliance Certificate in respect of such Financial Year or Financial Quarter in the form attached hereto as Schedule 5;

(v) concurrently with the delivery of the financial statements contemplated in clauses (i) and (ii) above, a management narrative regarding any material variances between the monthly financial statement delivered in accordance with clause (iii) above and the quarterly financial statement or audited financial statements, as the case may be, of the Borrower in respect of the preceding Financial Quarter;

(vi) concurrently with the delivery of the financial statements contemplated in clause (iii) above, an aged management prepared Backlog Report, in the same form as prepared internally for the Borrower's management, as of the close of business as at the end of the preceding month, as well as management's estimate of those future orders which have a high probability of being received following the month being reported on, both of which are to be diligently prepared on a major product line basis;

(vii) within ten (10) days of delivery of the financial statements contemplated in clause (ii) above, an Excess Cash Flow Certificate in respect of such Financial Year in the form attached hereto as Schedule 6;

(viii) concurrently with the delivery of the financial statements contemplated in clause (i) above, a Consolidated EBITDA Certificate in respect of such Financial Quarter in the form attached hereto as Schedule 11; and

(ix) prior to each Financial Year end, an Annual Business Plan for the next Financial Year; provided, if the Financial Year end is changed to December 31, 2009, the delivery date Annual Business Plan for the Financial Year 2010 shall be prior to March 15, 2010.

(b) **Environmental Reporting.** Promptly, and in any event within five Business Days after becoming aware of the existence of any such event under this Section 7.01(1)(b), (a) notify the Administrative Agent in writing of (i) any proceeding or order before any Governmental Authority requiring any Loan Party or any of its Subsidiaries to comply with or take action under any Environmental Laws in connection with the Leased Real Properties, owned real properties or the Business and (ii) any Environmental Liability or overtly threatened Environment Liability of which a Loan Party is aware, which in each case could reasonably be expected to result in material environmental remedial obligations or adversely affect any Loan Party in any material respect, and (b) update the Administrative Agent in writing of any material change regarding any such matters.

(c) **Additional Reporting Requirements.** Deliver to the Administrative Agent (with sufficient copies for each of the Lenders) (i) as soon as possible, after any Loan Party becomes aware of the occurrence of each Default or Event of Default, a statement of a Responsible Officer of such Loan Party or any other officer acceptable to the Administrative Agent setting forth the details of such Default or Event of Default and the action which such Loan Party proposes to take or has taken with respect thereto; (ii) together with the Compliance Certificate to be delivered pursuant to Section 7.01(1)(a)(iv), written notice of any previously undisclosed (a) Subsidiaries of Holdings; (b) Material Agreement of any Loan Party or any material amendment to, termination of, or material default under any Material Agreement; (c) Material Permits which become necessary for the conduct of Business by the Loan Parties or any material amendment to or termination of any previously disclosed Material Permit; (d) acquisition of owned or leased real property by any Loan Party (excluding residential leases entered into in the ordinary course of business); (e) material Intellectual Property; (f) places of business, executive offices or locations at which material Collateral is located, kept or stored; (g) new pension plans of any Loan Party; and (h) violation of, or proceedings or investigations initiated by any applicable Governmental Authority in respect of, any Applicable Laws relating to export control; (iii) promptly after submission to any Governmental Authority, all documents and information furnished to such Governmental Authority in connection with any investigation of any Loan Party other than routine inquiries by such Governmental Authority; and (iv) such other information respecting the condition, operations or Assets of any of the Loan Parties or their Subsidiaries as the Administrative Agent, on behalf of the Lenders, may from time to time reasonably request.

(2) **Existence; Conduct of Business.** Do and cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence (subject only to Section 7.02(3)), and obtain, preserve, renew and keep in full force and effect any and all Material Permits.

(3) **Payment Obligations.** Pay and cause each of its Subsidiaries to pay all Priority Payables and Tax liabilities and all other obligations that, in the case of such other obligations, if not paid, could reasonably be expected to result in a Material Adverse Effect, in each case, before the same shall become delinquent or be in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) such Loan Party or such Subsidiary has, if required, set aside on its books adequate reserves with respect thereto in accordance with GAAP, and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

(4) **Maintenance of Properties.** Keep and maintain, and cause each of its Subsidiaries to keep and maintain, all real and personal property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, except to the extent that the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(5) **Books and Records; Inspection Rights.** Keep, and cause each of its Subsidiaries to keep, proper books of record and account in accordance with GAAP (to the extent applicable); permit, and cause each of its Subsidiaries to permit, any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice and during normal business hours, and subject to reasonable requests of confidentiality including requirements imposed by law or contract, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants at such reasonable times as may be reasonably requested (a) absent the occurrence and continuance of an Event of Default, no more than twice in any Financial Year, and (b) upon the occurrence and continuance of an Event of Default, at any time.

(6) **Compliance with Applicable Laws.** Comply in all material respects with, and cause each of its Subsidiaries to comply in all material respects with, all Applicable Laws and orders of any Governmental Authority applicable to it or its property and with all Material Permits.

(7) **Insurance.** Maintain, and cause each of its Subsidiaries to maintain or cause to be maintained, with financially sound and reputable insurers, insurance with respect to their respective properties and business against such liabilities, casualties, risks and contingencies and in such types (including business interruption insurance) and amounts as is prudent and customary in the case of Persons engaged in the same or similar businesses and similarly situated and in accordance with any requirement of any Governmental Authority. In the case of any fire, accident or other casualty causing loss or damage to any properties of any Loan Party used in generating cash flow or required by Applicable Law, all proceeds of such policies shall be used promptly to repair or replace any such damaged properties, or shall be used as directed by the Administrative Agent to prepay the Accommodation Outstanding, all in accordance with Section 2.05(3) and, upon the occurrence or during the continuance of an Event of Default, in accordance with such further requirements as may be provided for in the Second Lien Security Documents. Each Loan Party will obtain endorsements to the policies pertaining to all physical properties in which the Administrative Agent or the Lenders shall have an Encumbrance under the Second Lien Credit Documents, naming the Administrative Agent as an additional insured and showing loss payable to the Administrative Agent, as first loss payee (subject to the Intercreditor Agreement), and evidencing that such policies are subject to the standard mortgage clause approved by the Insurance Bureau of Canada (as applicable), and containing provisions that such policies will not be cancelled without 30 days prior written notice having been given by the insurance company to the Administrative Agent and shall from time to time, on reasonable request of the Administrative Agent, provide evidence of maintenance of all such insurance.

(8) **Operation and Maintenance of Property.** Manage and operate, and cause each of its Subsidiaries to manage and operate, its business or cause its business to be managed and operated (i) in compliance in all material respects with the terms and provisions of all Material Permits, and (ii) in compliance in all material respects with all Applicable Laws of the jurisdiction in which such businesses are carried on.

(9) **Status of Accounts and Collateral.** Promptly report to the Administrative Agent any matters materially adversely affecting the value, enforceability or collectability of any of the Collateral, or the validity or perfection of the security interests in favour of the Administrative Agent with respect thereo.

(10) **Credit Policy and Accounts Receivable.** Maintain, at all times, credit policies consistent with good business practices, adhere to such policies to the extent commercially reasonable and collect, and cause each of its Subsidiaries to collect, Accounts Receivable in the ordinary course of business in a commercially reasonable manner.

(11) **Further Assurances.** At the cost and expense of the Borrower, promptly upon the reasonable request by the Administrative Agent, or any Lender through the Administrative Agent, (a) correct any material defect or error in the execution, acknowledgment, filing or recordation of any Second Lien Credit Document, and (b) duly execute, acknowledge and deliver, or cause to be duly executed, acknowledged and delivered instruments and do and cause to be done such further acts as the Administrative Agent, or any Lender through the Administrative Agent, may reasonably require from time to time in order to (i) carry out more effectively the purposes of the Second Lien Credit Documents, (ii) to subject any Loan Party's Assets now or hereafter intended to be covered by any of the Second Lien Security Documents to the Encumbrances of the Second Lien Security Documents and (iii) perfect and maintain the validity, effectiveness and priority of any of the Second Lien Security Documents and any of the Encumbrances intended to be created thereunder (including by delivery of the Second Lien Security Documents contemplated by Section 2.11).

(12) **Escrow Funds.** Make any claims it deems appropriate against the Escrow Funds in accordance with the terms thereof and use all reasonable commercial efforts to pursue such claims. The Borrower shall advise the Administrative Agent, on behalf of the Lenders, of all material developments in respect of the Escrow Funds.

(13) **Notices Regarding U.S. Plans and U.S. Benefit Arrangements.**

(a) **U.S. Plans – Certain Events.** Promptly upon, and in any event within 10 Business Days of, becoming aware of the occurrence thereof, provide notice (including the nature of the event and, when known, any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto) of:

(i) any "reportable event" (as defined in Section 4043(c) of ERISA) with respect to any Loan Party or any other member of the ERISA Group (other than any reportable event for which notice has been waived),

(ii) any Prohibited Transaction which could subject any Loan Party or any other member of the ERISA Group to a material civil penalty assessed pursuant to Section 502(i) of ERISA or a material tax imposed by Section 4975 of the Internal Revenue Code in connection with any U.S. Plan, any U.S. Benefit Arrangement or any trust created thereunder.

(iii) any assertion of material withdrawal liability with respect to any U.S. Multiemployer Plan,

(iv) any partial or complete withdrawal from a U.S. Multiemployer Plan by any Loan Party or any other member of the ERISA Group under Title IV of ERISA (or assertion thereof), which could be reasonably expected to result in a material withdrawal liability,

(v) any cessation of operations by any Loan Party or any other member of the ERISA Group as described in Section 4062(e) of ERISA,

(vi) withdrawal by any Loan Party or any other member of the ERISA Group from a Multiple Employer Plan, which could be expected to result in a material withdrawal liability,

(vii) a failure by any Loan Party or any other member of the ERISA Group to make a payment to a U.S. Plan required to avoid imposition of a Encumbrance under Section 302(f) of ERISA,

(viii) the adoption of an amendment to a U.S. Plan requiring the provision of security to such U.S. Plan pursuant to Section 307 of ERISA, or

(ix) any change in the actuarial assumptions or funding methods used for any U.S. Plan, where the effect of such change is to materially increase the amount of unfunded "benefit liabilities" (as defined in Section 4001 of ERISA) or obligation to make periodic contributions.

(b) **U.S. Plans – Notices of Involuntary Termination and Annual Reports.** Promptly, and in any event within 10 Business Days, after receipt thereof, deliver to the Administrative Agent copies of (a) all notices received by any Loan Party or any other member of the ERISA Group of the PBGC's intent to terminate any U.S. Plan administered or maintained by any Loan Party or any member of the ERISA Group, or to have a trustee appointed to administer any such U.S. Plan; and (b) at the request of the Administrative Agent each annual report (IRS Form 5500 series) and all accompanying schedules, the most recent actuarial reports, the most recent financial information concerning the financial status of each U.S. Plan administered or maintained by any Loan Party or any other member of the ERISA Group, and schedules showing the amounts contributed to each such U.S. Plan by or on behalf of any Loan Party or any other member of the ERISA Group and each Schedule B (Actuarial Information) to the annual report filed by any Loan Party or any other member of the ERISA Group with the Internal Revenue Service with respect to each such U.S. Plan.

(c) **U.S. Plans – Notice of Voluntary Termination.** Promptly upon the filing thereof, deliver to the Administrative Agent copies of any Form 5310, or any successor or equivalent form to Form 5310, filed with the PBGC in connection with the termination of any U.S. Plan.

(14) **Canadian and UK Benefit and Pension Plans.**

(a) For each existing, or hereafter adopted, Canadian or UK Benefit Plan, Holdings shall, and shall cause each of its Subsidiaries to, in a timely fashion comply with and perform in all material respects all of its obligations under and in respect of such plan, including under any funding agreements and all Applicable Laws. All employer or employee payments, contributions or premiums required to be remitted, paid to or in respect of each Canadian or UK Benefit Plan, and all contributions required in respect of any Canadian Pension Plan and UK Pension Plan, shall be paid or remitted by Holdings or its Subsidiaries in a timely fashion in accordance with the terms thereof, any funding agreements and all Applicable Laws.

(b) Holdings shall deliver to Administrative Agent (i) if requested by Administrative Agent, acting reasonably, copies of each annual and other return, report or valuation with respect to each Canadian Pension Plan and UK Pension Plan as filed with any applicable Governmental Authority; (ii) promptly after receipt thereof, a copy of any material direction, order, notice, ruling or opinion that Holdings or any of its Subsidiaries may receive from any applicable Governmental Authority with respect to any Canadian Pension Plan or UK Pension Plan; and (iii) notification within 30 days of any increases having a material cost to Holdings or its Subsidiaries, in the benefits of any existing Canadian or UK Benefit Plan, or the establishment of any new Canadian or UK Benefit Plan having a material cost, or the commencement of any material contributions to any such plan to which Holdings or its Subsidiaries were not previously contributing.

(15) **Financial Assistance.** Each Loan Party shall comply, in each case in all material respects, with sections 151 to 158 (inclusive) of the Companies Act 1985 of England and Wales (if applicable) and all other Applicable Laws and regulations relating to financial assistance by a company for the acquisition or subscription for shares or relating to protection of shareholders' capital in other applicable jurisdictions, including in relation to the execution and performance of the Second Lien Credit Documents and the payment of amounts due under the Second Lien Credit Documents.

(16) **Compliance with Environmental Laws.** (i) Comply, and use commercially reasonable efforts to cause all lessees and other Persons operating or occupying its properties to comply, with all applicable Environmental Laws, including Environmental Permits; (ii) obtain, maintain and renew all Environmental Permits necessary for the Business and its operations and properties to comply with all applicable Environmental Laws; and (iii) conduct any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to comply with all Environmental Laws and required to prudently eliminate, reduce or manage its Environmental Liabilities; except, in each case of (i), (ii) and (iii), for such noncompliance, failure to obtain or renew, or failure to conduct or undertake as could not, individually or in the aggregate, reasonably be expected to result in material remedial obligations or have a Material Adverse Effect; provided, however, that neither Holdings nor any of its Subsidiaries shall be required to

undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances.

(17) **Security Matters**

(a) Securities and Instruments.

(i) If any Loan Party acquires ownership of any Intercompany Equity Securities or Intercompany Notes, such Loan Party will notify the Administrative Agent in writing and provide the Administrative Agent with a revised Schedule J recording the acquisition and particulars of such Intercompany Equity Securities or Intercompany Notes within 15 days after such acquisition. Subject to the terms of the Intercreditor Agreement, such Loan Party will promptly deliver to and deposit with the Administrative Agent, or cause the Administrative Agent to have control over, all such Intercompany Equity Securities or Intercompany Notes as security for the obligations of the applicable Loan Party pursuant to this Agreement and the other Second Lien Credit Documents to which such Loan Party is party.

(ii) Subject to the terms of the Intercreditor Agreement, each Loan Party will use commercially reasonable efforts to ensure that no Person other than itself, the Administrative Agent or another Person on its behalf, has possession of any certificated securities or certificated instruments owned by such Loan Party.

(iii) Subject to the terms of the Intercreditor Agreement, each Loan Party will, with respect to any securities or instruments owned by it, at the request of the Administrative Agent (but, in the case of securities or instruments that are not Intercompany Equity Securities or Intercompany Notes, such request shall only be made during the continuance of an Event of Default) (a)(x) cause the transfer of such securities or instruments to the Administrative Agent (or its nominee (if the Administrative Agent or such nominee is a member of such clearing agency) or otherwise as the Administrative Agent may reasonably direct) to be recorded in the records of a clearing agency or custodian, if and as applicable under Applicable Law, or on the applicable securities register or (y) duly endorse such securities or instruments for transfer in blank (to the extent not already endorsed) or register them in the name of the Administrative Agent or its nominee or otherwise as the Administrative Agent may reasonably direct, (b) immediately deliver to the Administrative Agent any and all consents or other documents which may be necessary to effect the transfer of such securities or instruments to the Administrative Agent or any third party and (c) deliver to or otherwise cause the Administrative Agent to have control over such securities or instruments (to the extent that the Administrative Agent has not already obtained such control).

(b) **Maintaining the Account Collateral.** So long as any Guaranteed Obligations shall be outstanding or any Lender shall have any Commitment hereunder:

(i) Subject to the terms of the Intercreditor Agreement, the Loan Parties will maintain deposit accounts only with the financial institution acting as First Lien Administrative Agent or with a bank that has agreed with the applicable Loan Party and the Administrative Agent to comply (following and during the continuation of an Event of Default and the Administrative Agent giving a "control notice" or a similar notice) with instructions originated by the Administrative Agent directing the disposition of funds in such deposit account without the further consent of such Loan Party, such agreement in form and substance reasonably satisfactory to the Administrative Agent and the Loan Party (a "**Deposit Account Control Agreement**"), provided that the foregoing requirement shall only apply in respect of any bank accounts in which there is greater than US $100,000 on deposit (provided that amounts in such excluded accounts do not exceed US $500,000 in aggregate). All such Deposit Account Control Agreements must be in place on the earlier of (i) sixty (60) days from the Effective Date; and (ii) the date immediately preceding the effective date of any Eligible Hedging Agreement with a Hedge Lender who is not also a Lender.

(ii) Subject to the terms of the Intercreditor Agreement, the Administrative Agent may, at any time during the continuance of an Event of Default and without notice to, or consent from, any Loan Party, transfer, or direct the transfer of, funds from the Pledged Deposit Accounts, to satisfy the Guaranteed Obligations.

(iii) Subject to the terms of the Intercreditor Agreement, upon any termination by a Loan Party of any Pledged Deposit Account, such Loan Party will promptly (i) to the extent transferred within Canada, the United States or the UK, transfer all funds and property held in such terminated Pledged Deposit Account to another Pledged Deposit Account and (ii) notify all Persons that were making payments to such Pledged Deposit Account to make all future payments to another Pledged Deposit Account, in each case so that the Administrative Agent shall have a continuously perfected security interest in such funds and property.

(c) **Commercial Tort Claims.** Holdings and each U.S. Guarantor will promptly give notice to the Administrative Agent of any commercial tort claim of Holdings or such U.S. Guarantor that may arise after the date hereof with an anticipated recovery of at least US $1,000,000 and will immediately execute or otherwise authenticate a supplement to the applicable Second Lien Security Document, and otherwise take all action necessary to subject such commercial tort claim to the second priority (subject to Permitted Encumbrances) security interest created under such Second Lien Security Document.

(18) **Disposed Entities.** Complete the winding up, liquidation or Disposition of Allen-Vanguard (Ireland) Limited within one (1) year of the Effective Date; provided, that until such winding up, liquidation or Disposition, Allen-Vanguard (Ireland) Limited shall not (a) carry on any business or (b) own or acquire Assets in excess of $50,000.

(19) **Equity Contribution and New Facility Paydown.** Immediately after the Effective Date, LuxCo shall make an equity contribution to the Borrower in a cash amount of up to US $ 25,000,000 (the "**Sponsor Equity Contribution**") and, immediately upon receipt thereof, Borrower shall pay US $5,000,000 of such amount to the Administrative Agent which shall be applied as a permanent reduction of the New Facility (as defined in the First Lien Credit Agreement)

Section 7.02 Negative Covenants

So long as (i) any amount owing hereunder remains unpaid, or (ii) any Lender has any obligation under this Agreement to make an Advance, and unless consent or waiver is given in accordance with Section 17.01 hereof, no Loan Party shall:

(1) **Debt.** Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Debt other than Permitted Debt.

(2) **Encumbrances.** Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Encumbrance on any of its or their, as the case may be, respective Assets, other than Permitted Encumbrances.

(3) **Fundamental Changes.** Merge into or amalgamate or consolidate with, or permit any of its Subsidiaries to merge into, amalgamate or consolidate with, any other Person, or permit any other Person to merge into or amalgamate or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, or all or any of the Equity Securities of any of the Loan Parties (in each case, whether now owned or hereafter acquired), or liquidate, dissolve or be wound up without the consent of the Majority Lenders, except that:

(i) so long as no Default or Event of Default would result therefrom, any Subsidiary of Holdings may be merged or consolidated with or into the Borrower, provided that (i) the Borrower shall be the continuing or surviving corporation or (ii) if the Person formed by or surviving any such merger or consolidation is not the Borrower (such Person, the "**Successor Borrower**"), (A) the Successor Borrower shall be an entity organized or existing under the laws of Canada or any province or territory thereof or the jurisdiction of organization of the Borrower prior to such consolidation or merger, and (B) the Successor Borrower shall expressly assume all the obligations of the Borrower under this Agreement and the other Second Lien Credit Documents pursuant to a supplement hereto or thereto in form reasonably satisfactory to the Administrative Agent;

(ii) any Subsidiary of Holdings may be merged, amalgamated or consolidated with or into any one or more Subsidiaries of Holdings, provided that (i) in the case of any merger, amalgamation or consolidation involving one or more Subsidiaries of Holdings that is a Loan Party, (A) such Subsidiary shall be the continuing or surviving corporation or (B) Holdings shall take all steps necessary to cause the Person formed by or surviving any such merger, amalgamation or consolidation (if other than a Loan Party) to become a Loan Party, (ii) in the case of any merger, amalgamation or consolidation involving one or more Guarantors, a Guarantor shall be the continuing or surviving corporation or the Person formed by or surviving any such merger, amalgamation or consolidation (if other than a Guarantor) shall execute a supplement to the applicable Guarantee, the Second Lien Pledge Agreement and the Second Lien Security Agreement in form and substance reasonably satisfactory to the Administrative Agent in order to become a Guarantor and pledgor, mortgagor and grantor of Collateral for the benefit of the Secured Parties, and (iii) no Default or Event of Default is in existence or would result after giving effect to the consummation of such merger, amalgamation or consolidation;

(iii) any Guarantor may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any other Guarantor;

(iv) any Subsidiary of Holdings may liquidate or dissolve if (i) Holdings determines in good faith that such liquidation or dissolution is in the best interests of Holdings and is not materially disadvantageous to the Lenders and (ii) to the extent such Subsidiary is a Loan Party, any assets or business not otherwise disposed of in accordance with Section 7.01(18)(5) or, in the case of any such business, discontinued, shall be transferred to, or otherwise owned or conducted by, another Loan Party after giving effect to such liquidation or dissolution; and

(v) this Section 7.01(18)(3) shall not prohibit any Permitted Dispositions.

(4) **Carry on Business.** Engage in any business or permit any of its Subsidiaries to engage in any business, other than the Business and businesses reasonably related thereto, which shall not in any case include research, development, manufacturing and the sale of products that are not defensive and/or peacekeeping in nature.

(5) **Disposal of Assets Generally.** Dispose of, subject to Section 7.02(6), or permit any of its Subsidiaries to Dispose of, any Assets to any Person, other than Permitted Dispositions.

(6) **Disposal of Division or Product Line.** Subject to Section 7.01(18)(3)(iii), Dispose of, or permit any of its Subsidiaries to Dispose of, any division or major product line of the Business without the consent of the Majority Lenders, other than Permitted Dispositions.

(7) **Payments to Affiliates.** Pay to any Affiliate of Holdings (other than a Loan Party) any amount out of the ordinary course of business; for the avoidance of doubt, shall not preclude the payment of any Sponsor Management Fee to the extent permitted by Section 7.02(10), dividend payments to Affiliates permitted pursuant to Section 7.01(18)(31), or other amounts payable to Sponsor to the extent permitted by this Agreement. Any funds which are paid in contravention of this covenant are deemed to be held in trust by the Affiliate for the Lenders and must be repaid to the Borrower within three (3) Business Days

(8) **Transactions with Affiliates.** Dispose of, or permit any of its Subsidiaries to Dispose of any Assets to, or purchase, lease or otherwise acquire any Assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favourable to such Loan Party or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among Loan Parties not involving any other Affiliate, (c) any Restricted Payments permitted by Section 7.01(18)(10) or any intercompany Debt and interest thereon expressly excluded from the definition of Restricted Payment, (d) transactions with Sponsor pursuant to or in connection with a Sponsor Transaction Document to the extent permitted by another clause of this Section 7.02, (e) equity or debt investments by Sponsor pursuant to Section 8.04, (f) dividend payments to Affiliates permitted pursuant to Section 7.01(18)(31) and (g) as otherwise expressly permitted pursuant to this Agreement and the Second Lien Credit Documents. The foregoing restrictions shall not apply to: (i) the payment of reasonable and customary fees, out-of-pocket costs and indemnities to directors and officers of Holdings or its Subsidiaries, (ii) any other transaction with any employee, officer or director of the Loan Parties pursuant to employee profit sharing and/or benefit plans and compensation and non-competition arrangements in amounts customary for corporations similarly situated to the Loan Parties and entered into in the ordinary course of business and approved by the board of directors of Holdings (including any committees thereof), (iii) loans or advances to employees or consultants of Holdings or any of the Subsidiaries in accordance with Section 7.01(18)(11)(f), (iv) any reimbursement of reasonable out-of-pocket costs incurred by an Affiliate of the Borrower on behalf of or for the account of any of the Loan Parties, and (v) the payment of any Sponsor Management Fees to the extent permitted by Section 7.02(10).

(9) **Restrictive Agreements.** Directly or indirectly enter into, incur or permit to exist, or permit any of its Subsidiaries to directly or indirectly enter into, incur or permit to exist, any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of such Loan Party or such Subsidiary to create, incur or permit to exist any Encumbrance upon any of its Assets, (b) the ability of such Loan Party or such Subsidiary to pay dividends or other distributions with respect to any Equity Securities or with respect to, or measured by, its profits or to make or repay loans or advances to any Loan Party or to provide a guarantee of any Debt of any Loan Party, (c) the ability of any Loan Party or any of its Subsidiaries to make any loan or advance to the Loan Parties, or (d) the ability of any Loan Party or any of its Subsidiaries to sell, lease or transfer any of its property to any other Loan Party; provided that the foregoing shall not apply to (i) restrictions and conditions existing on the Effective Date identified on Schedule I (but

shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (ii) customary restrictions and conditions contained in agreements relating to the sale of a Loan Party or any of its Subsidiaries pending such sale if such restrictions and conditions apply only to the Loan Party or such Subsidiary that is to be sold and such sale is permitted hereunder; (iii) restrictions or conditions imposed by any agreement relating to secured Debt permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Debt; (iv) customary provisions in leases and other ordinary course contracts restricting the assignment, sub letting or pledge thereof; (v) any agreement in effect at the time such Subsidiary becomes a Subsidiary, so long as such agreement was not entered into in contemplation of such person becoming a Subsidiary, (vi) restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business; and (vii) any encumbrances or restrictions imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments, obligations or arrangements referred to in clauses (i) through (vii) above; provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive than those contained in the contracts, instruments, obligations and arrangements, prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

(10) **Restricted Payments.** Declare, make or pay or agree to declare, make or pay, or permit any of its Subsidiaries to declare, make or pay, or agree to declare, make or pay, directly or indirectly, any Restricted Payment, except:

(a) Sponsor Management Fees;

(b) payments to the extent permitted by the Intercreditor Agreement;

(c) the declaration and payment of dividends with respect to the Equity Securities of Holdings payable solely in additional Equity Securities;

(d) Restricted Payments by any Loan Party (other than Holdings) or an Excluded Subsidiary of a Loan Party to its parent entity or entities or to any other Loan Party;

(e) regularly scheduled payments in respect of Permitted Debt; and

(f) dividends permitted pursuant to Section 7.02(31).

(11) **Investments.** Purchase, hold or acquire, or permit any other Loan Party to purchase, hold or acquire (including pursuant to any amalgamation with any Person that was not a wholly-owned Subsidiary prior to such amalgamation), any Equity Securities, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, except:

(a) investments by a Loan Party in the Equity Securities of any other Loan Party;

(b) loans or advances made by any Loan Party to any other Loan Party, and guarantees by a Loan Party of obligations of another Loan Party permitted by this Agreement;

(c) Permitted Debt;

(d) Investments acquired pursuant to a Permitted Acquisition;

(e) Investments existing on the Effective Date listed on Schedule J;

(f) Loans and advances to: (A) employees in the ordinary course of the business of Holdings and its Subsidiaries as presently conducted in an amount not to exceed US $250,000 at any time outstanding; (B) employees for the purpose of enabling such employees to pay tax liabilities arising as a result of (I) the vesting or acceleration of restricted stock or other Equity Securities in Holdings, and (II) the exercise of options or warrants to purchase Equity Securities of Holdings, so long as the aggregate principal amount thereof at any time outstanding (determined without regard to any write downs or write offs of such loans and advances) shall not exceed US $250,000, and (C) members of management and members of the board of directors to fund their purchase of any Equity Securities of Holdings so long as no cash is paid by the Borrower or any of its Subsidiaries in connection therewith (or any cash so paid is promptly (and in any event within two Business Days) returned to Holdings);

(g) Holdings and each Subsidiary of Holdings may acquire and own Investments (including obligations evidencing Debt) received in connection with the settlement of Accounts Receivable in the ordinary course of business or in connection with the bankruptcy or reorganization of suppliers and customers or in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(h) Permitted Investments;

(i) Investments in a Permitted Joint Venture;

(j) loans and advances to any direct parent of Holdings in lieu of, and not in excess of the amount of, dividends to the extent permitted to be made to such parent in accordance with Section 7.01(18)(31);

(k) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business and payable or dischargeable in accordance with customary trade terms and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors and other credits to suppliers in the ordinary course of business;

(l) Investments in the ordinary course of business consisting of UCC Article 3 endorsements for collection or deposit;

(m) advances of payroll payments to employees in the ordinary course of business in an amount not to exceed $100,000 in the aggregate outstanding at any time;

(n) Investments to the extent that payment for such Investments is made with the proceeds of the sale of Equity Securities of Holdings or its direct or indirect parent; provided, that (i) any Investment in the form of an Acquisition must qualify as a Permitted Acquisition under this Agreement and (ii) any Investment in the form of a joint venture must qualify as a Permitted Joint Venture under this Agreement;

(o) Investments, not to exceed US $1,000,000 in any Financial Year without the consent of the Administrative Agent, made to repurchase or retire equity interests of a Loan Party (or any direct or indirect parent thereof) owned by any former employee under an employee stock ownership plan or key employee stock ownership plan of the Loan Party (or any direct or indirect parent thereof);

(p) at any time that no Default or Event of Default has occurred and is continuing, or would result therefrom, other Investments in any Person engaged in the same or related line of business (including any Subsidiary that is not a Loan Party) that are not otherwise permitted hereunder not to exceed US $1,000,000 at any time, such amount to be determined net of Investment Credits received from all such Persons.

(12) **Acquisitions.** Except as permitted pursuant to Section 7.01(18)(3), make any Acquisition, or permit any of its Subsidiaries to make any Acquisition, other than, and provided no Default or Event of Default has occurred and is continuing, or would result therefrom, a Permitted Acquisition.

(13) **Subsidiaries.** Except as permitted pursuant to Section 7.01(18)(3), create, or permit any of its Subsidiaries to create, any Subsidiary, unless such Subsidiary is a wholly-owned Subsidiary and the provisions of Section 2.11(4) are complied with.

(14) **Amendments.** Allow any amendments or supplements to its or any of its Subsidiaries' constating documents or by-laws (or other governing documents) which are adverse in any material respect to the Lenders' interests hereunder or to the Encumbrances arising under or created by the Second Lien Security Documents.

(15) **Change of Auditors.** Change its auditors other than to an internationally recognized accounting firm.

(16) **Accounting Changes; Changes in Financial Year.** (a) Make or permit, or permit any of its Subsidiaries to make or permit, any material change in accounting policies or reporting practices, except as required or permitted by GAAP or (b) change its Financial Year, except to a year ending December 31, 2010.

(17) **Canadian and UK Pension Plan Compliance.** (a) Terminate, or permit any of its Subsidiaries to terminate, any Canadian Pension Plan or UK Pension Plan in a manner, or take any other action with respect to any Canadian Pension Plan or UK Pension Plan, which would reasonably be expected to have a Material Adverse Effect, (b) fail to make, or permit any of its Subsidiaries to fail to make, full payment when due of all amounts which, under the provisions of any Canadian Pension Plan or UK Pension Plan, agreement relating thereto or Applicable Law, the Borrower or any other Loan Party is required to pay as contributions thereto, (c) contribute to or assume an obligation to contribute to, or permit any of its Subsidiaries to contribute to or assume an obligation to contribute to, any defined benefit pension plan or any "multi-employer pension plan" as such term is defined in the *Pension Benefits Act* (Ontario), or (d) acquire, or permit of its Subsidiaries to acquire, an interest in any Person if such Person sponsors, maintains or contributes to, or at any time in the six-year period preceding such acquisition has sponsored, maintained, or contributed to any defined benefit pension plan or any "multi-employer pension plan" as such term is defined in the *Pension Benefits Act* (Ontario).

(18) **U.S. Plan and U.S. Benefit Arrangements.** Except in connection with any Permitted Dispositions, not and not permit any of its Subsidiaries to:

(a) fail to satisfy the minimum funding requirements of ERISA and the Internal Revenue Code with respect to any U.S. Plan, to the extent such failure could be expected to result in material liability to the Loan Parties or any member of the ERISA Group;

(b) request a minimum funding waiver from the Internal Revenue Service with respect to any U.S. Plan, to the extent that, if granted, such waiver could reasonably be expected to result in material liability to the Loan Parties or any member of the ERISA Group;

(c) engage in a Prohibited Transaction with any U.S. Plan or U.S. Benefit Arrangement Plan which, alone or in conjunction with any other circumstances or set of circumstances resulting in liability under ERISA, would constitute a Material Adverse Effect;

(d) fail to make when due any contribution to any U.S. Multiemployer Plan that any Loan Party or any member of the ERISA Group may be required to make under any agreement relating to such U.S. Multiemployer Plan, or any Applicable Law pertaining thereto, to the extent it could reasonably be expected to result in material liability to the Loan Parties or any member of the ERISA Group;

(e) withdraw (completely or partially) from any U.S. Multiemployer Plan or withdraw (or be deemed under Section 4062(e) of ERISA to withdraw) from any Multiple Employer Plan, where any such withdrawal is likely to result in material liability to the Loan Parties or any member of the ERISA Group;

(f) terminate, or institute proceedings to terminate, any U.S. Plan, where such termination is likely to result in material liability to the Loan Parties or a member of the ERISA Group;

(g) make any amendment to any U.S. Plan with respect to which security is required under Section 307 or ERISA; or

(h) fail to give any and all notices and make all disclosures and governmental filings required under ERISA or the Internal Revenue Code, where such failure is reasonably likely to result in a Material Adverse Effect.

(19) **Hedging Transactions.**

(a) Engage in, or permit any Subsidiary to enter into any Hedging Agreement, except an Eligible Hedging Agreement in the normal course of business and not for speculative purposes;

(b) Engage in, or permit any Loan Party to enter into any Hedging Agreement on a secured basis, unless such Hedging Agreement is with a Lender; and

(c) permit the aggregate net amount of all obligations of the Borrower and its Subsidiaries (determined on a marked-to-market basis) under all Eligible Hedging Agreements to exceed US $10,000,000, unless within three Business Days the Borrower has entered into such arrangements as are required to reduce such obligations to less than US $10,000,000.

(20) **Compromise of Accounts.** Compromise or adjust or permit any of its Subsidiaries to compromise or adjust any of its Accounts Receivable (or extent the time for payment thereof) or grant any discounts, allowances or credits, in each case other than in the normal course of business.

(21) **General Partner.** Become or permit any other Loan Party to become a general partner in any partnership, except through a corporate Subsidiary created for that purpose.

(22) **Change of Corporate Name or Location.** Change or permit any of its Subsidiaries that are Loan Parties to change (a) its incorporated name, or if not a corporation, its name as it appears in official filings in the jurisdiction of its organization except pursuant to a transaction permitted under Section 7.01(18)(3); provided, that the Borrower shall provide written notice to the Administrative Agent of such change prior to consummating such transaction, (b) change its chief executive office or principal place of business, (c) change the type of entity that it is, (d) change its jurisdiction of incorporation or organization, (e) change the location of its warehouses, other locations in which material Collateral is held or stored, or locations of records concerning Collateral and (f) in the case of any Loan Party organized under the laws of a jurisdiction within the United States, change its organizational identification number, in each case without at least 15 days prior written notice to the Administrative Agent and after taking any reasonable action requested by the Administrative Agent in connection therewith including to continue the perfection of any Encumbrances in favour of the Administrative Agent in

any Collateral, has been completed or taken. Without limiting the foregoing, Holdings shall not, nor shall it permit any of its Subsidiaries that are Loan Parties to, change its name, identity or corporate or organizational structure in any manner that might make any financing statement filed in connection herewith or any other Second Lien Credit Document materially misleading within the meaning of section 46(4) of the PPSA (or any comparable provision then in effect) or the UCC or other Applicable Laws, except upon prior written notice to the Administrative Agent, and after taking any reasonable action requested by Administrative Agent (such request not to be unreasonably delayed) in connection therewith, including to continue the perfection of any Encumbrances in favour of the Administrative Agent in any Collateral, has been completed or taken. The Borrower shall not change its head office to a jurisdiction outside of Canada during the duration of this Agreement.

(23) **Prepayments, Etc., of Certain Debt.** Prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of, Permitted Debt (if any) referred to in clauses (l) and (m) of the definition thereof prior to the Maturity Date, except regularly scheduled interest or required repayments or principal payments as and when due of such Debt, subject to the subordination terms thereof.

(24) **Amendment, Etc., of Certain Debt.** (i) Amend, modify or change in any manner any material term or condition of any agreement relating to Permitted Debt (if any) referred to in clause (m) of the definition thereof or give any consent, waiver or approval thereunder, other than any amendment, which (A) extends the date or reduces the amount of any required repayment, prepayment or redemption of the principal under such agreement, (B) does not make the covenants, events of default or remedies in such agreement materially more burdensome and (C) would not materially impair the rights or interests of the Administrative Agent or any Lender; or (ii) permit any of its Subsidiaries to do any of the foregoing.

(25) **Location of Operations.** Carry out research and development, manufacturing or assembling operations in any countries other than Canada, the United States or the UK.

(26) **Business Outside Certain Jurisdictions.** Have any place of business or keep or store any material tangible property outside of those jurisdictions (or registration districts within such jurisdictions) set forth in Schedule A, except as may be permitted by the terms of the Second Lien Security Documents.

(27) **Share Capital.** Permit any of its Subsidiaries to issue any Equity Securities except to Holdings, to any other Loan Party or in the case of a Subsidiary which is not a Loan Party and has not had its Equity Securities pledged to the Administrative Agent, to the parent entity of such Subsidiary.

(28) **Fixtures.** Permit any property to become a fixture or attached with respect to real or immovable property or to become an accession with respect to other personal or movable property, with respect to which real or personal (immovable or movable) property the

Administrative Agent does not have a valid and perfected first priority Encumbrance, subject to Permitted Encumbrances.

(29) **Anti-Terrorism Law; Anti-Money Laundering.**

(d) Directly or indirectly, (i) knowingly conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any personal described in Section 6.01(28), (ii) knowingly deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to any Anti-Terrorism Law, or (iii) knowingly engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in the Anti-Terrorism Law (and the Loan Parties shall deliver to the Administrative Agent and the Lenders any certification or other evidence requested from time to time by the Administrative Agent any Lender in its reasonable discretion, confirming the Loan Parties' compliance with this Section).

(e) Knowingly cause or permit any of the funds of such Loan Party that are used to repay the Loans to be derived from any unlawful activity with the result that the making of the Loans would be in violation of any Applicable Law.

(30) **Embargoed Person.** Knowingly cause or permit (a) any of the funds or properties of the Loan Parties that are used to repay the Accommodations to constitute property of, or be beneficially owned directly or indirectly by, any person subject to sanctions or trade restrictions under United States law ("**Embargoed Person**" or "**Embargoed Persons**") that is identified on (1) the "List of Specially Designated National and Blocked Persons" maintained by OFAC and/or any other similar list maintained by OFAC pursuant to any authorizing statute including, but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 *et seq.*, The Trading with the Enemy Act, 50 U.S.C. App. 1 *et seq.*, and any Executive Order or requirement of Applicable Law promulgated thereunder, or any other documents described in Section 6.01(kk)(ii)(F), with the result that the investment in the Loan Parties (whether directly or indirectly) is prohibited by Applicable Law, or the Accommodations made by the Lenders would be in violation of any Requirement of Applicable Law, or (2) the Executive Order, any related enabling legislation or any other similar Executive Orders or (b) any Embargoed Person to have any direct or indirect interest of any nature whatsoever in the Loan Parties, with the result that the investment in the Loan Parties (whether directly or indirectly) is prohibited by any Applicable Law or the Accommodations are in violation of any Applicable Law.

(31) **Limitation on Dividends.** Holdings will not declare or pay any dividends (other than dividends payable solely in its Equity Securities (excluding Disqualified Stock)) or return any capital to its stockholders or its members or authorize or make any other distribution, payment or delivery of property or cash to its stockholders or its members as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for consideration, any shares of any class of its Equity Securities or the Equity Securities of any direct or indirect parent now or hereafter outstanding (or any warrants for or options or stock appreciation rights in respect of any such Equity Securities), or set aside any funds for

any of the foregoing purposes, purchase or permit any of its Subsidiaries to purchase or otherwise acquire for consideration (other than in connection with an Investment permitted by Section 7.01(18)(11)) any Equity Securities of Holdings, now or hereafter outstanding (all of the foregoing "dividends"), provided that, except with respect to Sections 7.02(32)(iii)(a)-(e), so long as no Default or Event of Default exists or would exist after giving effect thereto:

(i) Holdings may redeem in whole or in part any of its Equity Securities for another class of its Equity Securities or with proceeds from substantially concurrent equity contributions or issuances of new Equity Securities, provided that such new Equity Securities contain terms and provisions at least as advantageous to the Lenders in all respects material to their interests as those contained in the Equity Securities redeemed thereby;

(ii) Holdings may (or may make dividends to permit any direct or indirect parent thereof to) repurchase or retire shares of its (or such parent's) Equity Securities held by officers, directors and employees of the Borrower and its Subsidiaries (or any spouse, former spouse, successor, executor, administrator, heir, legatee or distributee of any of the foregoing), so long as such repurchase is pursuant to, and in accordance with the terms of, management, director and/or employee equity or stock option or benefit plans, stock subscription agreements or shareholder agreements;

(iii) Holdings may pay dividends solely attributable to the ownership or operations of Holdings and its Subsidiaries:

(a) as provided in Section 7.01(18)(10);

(b) so long as Holdings is a member of a group filing a consolidated, combined, unitary or affiliated tax return with a parent, the proceeds of which will be used to pay (or to make dividends to allow any direct or indirect parent of Holdings to pay) within 30 days of the receipt thereof, the tax liability to each relevant jurisdiction in respect of such consolidated, combined, unitary or affiliated returns for the relevant jurisdiction of such parent to the extent such tax liability is directly attributable to the taxable income of Holdings or its Subsidiaries (that are included in such consolidated, combined, unitary or affiliated tax return), determined as if Holdings and such Subsidiaries filed a separate consolidated, combined, unitary or affiliated tax return as a stand-alone group;

(c) in an aggregate amount not greater than the amount necessary for any direct or indirect owner of Holdings to pay the actual state and United States federal income tax liabilities for such Person resulting from the inclusion of any "Subpart F income" (within the meaning of Section 951(a) of the Code) on the part of such Person, by virtue of such Person's direct or indirect ownership in Borrower;

(d) the proceeds of which shall be used to allow any direct or indirect parent of Holdings to pay its operating expenses incurred in the ordinary course of