

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

B E T W E E N:

BANK OF MONTREAL

Applicant

- and -

**BEST MADE TOYS INTERNATIONAL, ULC, BEST MADE TOYS LLC,
BEST MADE TOYS GLOBAL ENTERPRISES LIMITED and BEST MADE TOYS
HOLDING LLC**

Respondents

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION
243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3,
AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*,
R.S.O. 1990, c. C.43, AS AMENDED

**APPLICATION RECORD
(Returnable April 25, 2019)**

April 23, 2019

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Lawyers for the Applicant

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Tab 1

Court File No.: CV-19-00618506-0006

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



BETWEEN:

BANK OF MONTREAL

Applicant

- and -

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R.S.O. 1990, c. C.43, AS AMENDED

**NOTICE OF APPLICATION
(Returnable April 25, 2019)**

TO THE RESPONDENTS

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing before a Judge presiding over the Commercial List on **April 25, 2019 at 10:00 a.m.** or so soon thereafter at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS - EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than two (2) days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU.

IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: April 23, 2019

Issued by

Ray Williams
Local Registrar

Ray Williams, Registrar

Address of court office:

330 University Avenue
7th Floor
Toronto, ON M5G 1R7

TO: ATTACHED SERVICE LIST

Service List

BEST MADE TOYS INTERNATIONAL, ULC

Service List

(As at April 18, 2019)

AND TO:	<p>DELOITTE RESTRUCTURING INC. Bay Adelaide Centre, East Tower 8 Adelaide St West Suite 200 Toronto, ON M5J 0A9</p> <p>Jordan Sleeth Tel: 416-819-2312 jsleeth@deloitte.ca</p> <p>Andrew Whittingham Tel: 416-601 6421 andwhittingham@deloitte.ca</p> <p>Proposed Receiver</p>
AND TO:	<p>GOODMANS LLP Bay Adelaide Centre, West Tower 333 Bay Street Suite 3400 Toronto, ON M5H 2S7</p> <p>Brendan O'Neill Tel: 416-849-6017 boneill@goodmans.ca</p> <p>Mark Surchin Tel: 416-597-4165 msurchin@goodmans.ca</p> <p>Lawyers for the Respondents</p>
AND TO:	<p>DEPARTMENT OF JUSTICE (CANADA) Ontario Regional Office 120 Adelaide Street West Suite 400 Toronto, ON M5H 1T1</p> <p>Diane Winters Tel: 416-973-3172 diane.winters@justice.gc.ca</p>

AND TO:	MINISTRY OF FINANCE Legal Services Branch College Park 777 Bay Street 11th Floor Toronto, ON M5G 2C8 Kevin O'Hara, Counsel Tel: 416-327-8463 kevin.ohara@ontario.ca
AND TO:	EXPORT DEVELOPMENT CANADA 150 Slater Street Ottawa, ON K1A 1K3 Loans Services – International Financing Guarantees Tel: 613-598-2842 IFG.loanservice@edc.ca Asset Management IFG.assetmanagement@edc.ca
AND TO:	SJ CAPITAL PARTNERS V LLC 25 High Meadows Road Mount Kisco, New York USA 10549 Scott Johnson Tel: 212-362-1530 Scott@sjpartners.com
AND TO:	SCOTT JOHNSON 25 High Meadows Road Mount Kisco, New York USA 10549 Tel: 212-362-1530 Scott@sjpartners.com
AND TO:	DENTONS CANADA LLP Toronto-Dominion Centre 77 King Street West Suite 400 Toronto, ON M5K 0A1 Robert J. Kennedy Tel: 416-367-6756 robert.kennedy@dentons.com

APPLICATION

1. The Applicant, Bank of Montreal ("**BMO**" or the "**Bank**"), makes an application for an Order substantially in the form appended at Tab 3 of the Application Record:

- (a) abridging the time for service of the Notice of Application and the Application Record and dispensing with further service thereof;
- (b) appointing Deloitte Restructuring Inc. ("**Deloitte**") as receiver and manager (in such capacity, the "**Receiver**"), without security, of all of the property, assets and undertaking (the "**Property**") of Best Made Toys International, ULC, Best Made Toys LLC, Best Made Toys Global Enterprises Limited, and Best Made Toys Holding LLC (collectively, the "**Debtors**") pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**");
- (c) granting a charge over the Property in favour of the Receiver and the Receiver's counsel to secure their fees and disbursements in respect of these proceedings on the terms set out in the draft order filed (the "**Receiver's Charge**"); and
- (d) such further and other relief as counsel may request and this Court may permit.

2. **THE GROUNDS FOR THE APPLICATION ARE:**

- (a) Best Made Toys International, ULC (the "**Canadian Borrower**" or "**BMT**") is incorporated pursuant to the laws of the Province of British Columbia, and is a manufacturer of plush toys for the wholesale market. Its head office is located in Toronto, from which premises its corporate, accounting, management and administrative functions are performed;
- (b) the Canadian Borrower is a wholly-owned subsidiary of Best Made Toys Holding LLC, a Delaware limited liability company (the "**US Guarantor**"). The US Guarantor is in turn a wholly-owned subsidiary of Best Made Toys LLC, a Delaware limited liability company (the "**US Borrower**"). Best Made Toys

Enterprises Limited, a wholly-owned subsidiary of the US Borrower, is a company incorporated with limited liability under the laws of Hong Kong (the "**HK Guarantor**");

- (c) the Canadian Borrower and US Borrower (collectively, the "**Borrowers**") are currently indebted to BMO and Bank of Montreal, acting through its Chicago Branch (together with BMO, the "**Lenders**"), with respect to certain credit facilities extended by the Lenders (the "**Credit Facilities**"), pursuant to an amended and restated credit agreement dated October 4, 2018 (the "**Credit Agreement**");
- (d) the US Guarantor and HK Guarantor have each guaranteed the obligations of the Borrowers to the Lenders under the Credit Agreement;
- (e) the obligations of the Debtors to the Lenders are secured by, among other things, and as more particularly described in the Kiefer Affidavit (as defined below), general security agreements, security granted under section 427(1) of the *Bank Act* (Canada), a debenture and share charges, each dated May 29, 2015, as amended (collectively the "**Security**");
- (f) the Debtors have committed certain events of default, as more particularly described in the Kiefer Affidavit (the "**Events of Default**");
- (g) the Lenders subsequently agreed to forbear from exercising certain rights and remedies as against the Debtors pursuant to a Forbearance Agreement dated October 4, 2018 (the "**Forbearance Agreement**"). Pursuant to section 3.2 of the Forbearance Agreement, the Lenders stipulated that they had not waived any of the Events of Default and expressly reserved all rights and remedies;
- (h) the Forbearance Agreement has expired, and accordingly, the Lenders are entitled to immediate payment in full of any amounts outstanding, together with outstanding accrued interest and any and all other indebtedness, under or with respect to the Credit Facilities extended to the Borrowers;

- (i) on April 12, 2019, BMO (i) issued demands for payment to the Debtors, and (ii) delivered Notices of Intention to Enforce Security ("NITES") to each of the Borrowers and the US Guarantor, pursuant to the applicable provisions of the BIA. The Borrowers and US Guarantor have each acknowledged receipt of the demand and the NITES, agreed to waive the 10 day notice period thereunder, and consented to the immediate enforcement of the Security granted to BMO;
- (j) BMO seeks to appoint the Receiver in order to secure the Property and to take immediate steps to secure and realize on the Property as expeditiously as possible in order to seek to maximize value in the estate of the Borrowers;
- (k) BMT does not have sufficient available cash nor borrowing capacity to continue to operate as a going concern;
- (l) the Canadian Borrower has been unable to meet customer demands, and has experienced significant supply chain and manufacturing disruption; this has resulted in widespread order cancellations, large accounts receivable write-offs, and lost future business;
- (m) a sales process conducted in March, 2019 by Deloitte in its capacity as advisor to BMO, failed to elicit any bids from interested parties;
- (n) BMO has the right, pursuant to the Security, to appoint the Receiver over the Property of the Debtors;
- (o) Deloitte is a licensed trustee in bankruptcy within the meaning of section 2 of the BIA, and consents to its appointment as the Receiver;
- (p) Deloitte was engaged by BMO with respect to the Debtors in May 2018 to act as financial advisor, and is familiar with the operations and financial circumstances of the Debtors;
- (q) by virtue of Deloitte's familiarity with the operations and financial circumstances of the Debtors, Deloitte will be in the best position to achieve certain commercial efficiencies in respect of maximizing value from the Property;

- (r) the appointment of Deloitte as the Receiver is just and convenient in the circumstances;
- (s) section 243(1) of the BIA;
- (t) section 101 of the CJA;
- (u) Rules 1.04, 2.03, 3.02, 16 and 38 of the *Rules of Civil Procedure*, R.R.O. 1990. Reg. 194, as amended; and
- (v) such further and other grounds as counsel may advise and this Court may permit.

3. **THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the application:

- (a) the Affidavit of Robert A. Kiefer sworn April 23, 2019 and the exhibits referred to therein (the "**Kiefer Affidavit**");
- (b) the Pre-Filing Report of Deloitte to be filed; and
- (c) such further and documentary evidence as counsel may advise and this Court may permit.

April 23, 2019

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Lawyers for the Applicant

CV-19-00618506-00CL

Court File No.:

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED

BANK OF MONTREAL

- and -

BEST MADE TOYS INTERNATIONAL, ULC et al.

Applicant

Respondents

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

NOTICE OF APPLICATION
(Returnable April 25, 2019)

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Lawyers for the Applicant

Tab 2

**ONTARIO
SUPERIOR COURT OF JUSTICE
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BETWEEN:

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- and -

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**AFFIDAVIT OF ROBERT A. KIEFER
(Sworn April 23, 2019)**

I, **ROBERT A. KIEFER**, of the City of Toronto, in the Province of Ontario, **MAKE OATH
AND SAY** as follows:

1. I am a Senior Account Manager in the Special Accounts Management Unit of the Bank of Montreal (the “**Bank**”) and as such have personal knowledge of the matters hereinafter deposed to, and where I do not possess such personal knowledge, I have stated the source of my information and in all such cases do verily believe it to be true.
2. This affidavit is sworn in support of an application by the Bank, as Canadian lender under the Credit Agreement (as defined below), to appoint Deloitte Restructuring Inc. (“**Deloitte**”) as receiver (in such capacity, the “**Receiver**”), without security, over the assets, properties and undertaking (the “**Property**”) of Best Made Toys International, ULC (“**Canadian Borrower**” or “**BMT**”), Best Made Toys LLC (“**US Borrower**”), Best

Made Toys Holding LLC (“**US Guarantor**”) and Best Made Toys Enterprises Limited (“**HK Guarantor**” and together with the Canadian Borrower, the US Borrower and the US Guarantor, the “**BMT Group**”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) and section 101 of the *Courts of Justice Act* (Ontario) (the “**Application**”).

3. All terms used and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement (as defined below).

A. BACKGROUND: THE BEST MADE TOYS BUSINESS

4. The Canadian Borrower was incorporated as an unlimited liability company on March 12, 2015 pursuant to the laws of the Province of British Columbia. The Canadian Borrower is a manufacturer of plush toys for the wholesale market. The registered office for the Canadian Borrower is located at 1800-355 Burrard Street, Vancouver, British Columbia. The head office is located at 120 St. Regis Crescent North, Toronto, Ontario, with additional production facilities located at 53 Bakersfield Street, North York, Ontario (together, the “**Premises**”). I am informed by Carter Pennington (“**Pennington**”), the Chief Executive Officer (the “**CEO**”) of the BMT Group, that the Premises are the only premises leased or occupied by the Canadian Borrower and all its operations are carried out at the Premises.
5. The Canadian Borrower is a wholly-owned subsidiary of the US Guarantor, and the US Guarantor is a wholly-owned subsidiary of the US Borrower. The US Borrower and US Guarantor are both Delaware limited liability companies. I am also advised by Pennington that the US Borrower and the US Guarantor do not carry on operations and have no Property other than their respective shareholdings in the BMT Group.
6. The HK Guarantor is a company incorporated with limited liability under the laws of Hong Kong. The HK Guarantor is also a manufacturer of plush toys for the wholesale market. I am further advised by Pennington that the HK Guarantor operates exclusively in Hong Kong. The HK Guarantor does operate a bank account with the Bank at its

Toronto branch pursuant to which receivables paid to the HK Guarantor with regard to its operations in HK are deposited.

7. Attached hereto and marked as **Exhibit "A"** is a copy of the corporate organizational chart showing the ownership structure of the BMT Group (the "**Corporate Chart**"). Best Made Toys (Shanghai) Co Ltd., as identified on the Corporate Chart as a wholly-owned subsidiary of the HK Guarantor, is a company incorporated in the People's Republic of China and is not included in the Application.
8. I am further informed by Pennington that (i) the Canadian Borrower has 17 full-time employees, with an additional 3 individuals employed on a contract basis. All such employees based at the Premises and are non-unionized; and (ii) the HK Guarantor has 8 full-time employees. All such employees based in Hong Kong are non-unionized.
9. In May 2018, Deloitte was engaged as a financial advisor to the Bank in respect of the BMT Group.

B. CAPITAL STRUCTURE AND FORBEARANCE AGREEMENT

Loan and Security Documents

10. Pursuant to an amended and restated credit agreement dated as of October 4, 2018 (the "**Credit Agreement**"), entered into by the Canadian Borrower and US Borrower (collectively, the "**Borrowers**"), as borrowers, the US Guarantor and the HK Guarantor (collectively, the "**Guarantors**"), as guarantors, the Bank, as Canadian lender, and the Bank of Montreal, acting through its Chicago Branch (the "**US Lender**" and collectively with the Bank, the "**Lenders**"), the Lenders granted the following credit facilities to the Borrowers (collectively, the "**Credit Facilities**"):
 - (a) revolving demand facility in the maximum principal amount not to exceed (i) US\$10,000,000; and (ii) the Borrowing Base;
 - (b) non-revolving demand facility in the aggregate principal amount of US\$6,097,875;

- (c) non-revolving demand facility in the aggregate principal amount of US\$2,515,750;
- (d) revolving demand facility in the aggregate principal amount of US\$10,000,000; and
- (e) non-revolving demand facility in the aggregate principal amount of Cdn.\$280,000.

Attached hereto and marked as **Exhibit "B"** is a copy of the Credit Agreement.

11. Pursuant to section 7.2 of the Credit Agreement, the outstanding unpaid principal balance and all accrued and unpaid interest in respect of the Credit Facilities are to be paid upon the earlier of (i) the date of a demand for repayment by Lenders, (ii) the occurrence of an Insolvency Event, and (iii) the Maturity Date (being February 1, 2019).
12. In connection with the Credit Agreement, the Bank obtained the following guarantees of the obligations owing under the Credit Agreement and the other Credit Documents (collectively, the "**Guarantees**"):
 - (a) Guarantee dated May 29, 2015 from the Canadian Borrower in favour of the Bank; which is attached hereto and marked as **Exhibit "C"**;
 - (b) Guarantee dated May 29, 2015 granted by the US Borrower in favour of the Bank; which is attached hereto and marked as **Exhibit "D"**;
 - (c) Guarantee dated May 29, 2015 from the US Guarantor in favour of the Bank; which is attached hereto and marked as **Exhibit "E"**;
 - (d) Guarantee dated May 29, 2015 from the HK Guarantor; which is attached hereto and marked as **Exhibit "F"**.
13. As security for the obligations of the BMT Group under the Credit Agreement, the Guarantees and the other Credit Documents, the Bank obtained the following security documents (collectively, the "**Security**"):

- (a) General Security Agreement dated May 29, 2015 from the Canadian Borrower in favour of the Bank (the “**Canadian Security Agreement**”); which is attached hereto and marked as **Exhibit “G”**;
 - (b) Security Agreement dated May 29, 2015 between the US Borrower, US Guarantor and the Bank (the “**US Security Agreement**”); which is attached hereto and marked as **Exhibit “H”**; and
 - (c) Debenture dated May 29, 2015 between the HK Guarantor and the Bank (the “**HK Security Agreement**”); which is attached hereto and marked as **Exhibit “I”**; and
 - (d) certain additional security documents, including share pledges and security under Section 427 of the *Bank Act* (Canada).
14. The Bank registered its security interest against the Canadian Borrower under the Ontario *Personal Property Security Act* (the “**ON PPSA**”) and the British Columbia *Personal Property Security Act* (the “**BC PPSA**”). Attached hereto and marked as **Exhibit “J”** is a copy of the ON PPSA search obtained as against the Canadian Borrower with a file currency of April 16, 2019. Attached hereto and marked as **Exhibit “K”** is a copy of the BC PPSA search obtained as against the Canadian Borrower with a file currency of April 17, 2019.
15. The Bank registered its security interest against the US Borrower and US Guarantor in the United States under the Uniform Commercial Code (“**UCC**”). Attached hereto and marked as **Exhibit “L”** is a copy of the UCC search obtained against the US Borrower with a file currency of April 15, 2019. Attached hereto and marked as **Exhibit “M”** is a copy of the UCC search obtained against the US Guarantor with a file currency of April 15, 2019.
16. In addition, the Bank registered its security interest against the HK Guarantor under the Companies Ordinance in Hong Kong. Attached hereto and marked as **Exhibit “N”** is a copy of the Certificate of Registration of Charge obtained from the Registrar of Companies Hong Kong Special Administrative Region.

C. DEFAULT UNDER THE CREDIT AGREEMENT AND THE FORBEARANCE AGREEMENT

17. The Borrowers are in default under the Credit Agreement, which defaults constitute one or more Events of Default, including, without limitation, the following:
 - (a) the Borrowers' failure to meet the required Fixed Charge Coverage Ratio for the periods ending September 30, 2017, December 31, 2017 and March 31, 2018;
 - (b) the Borrowers' failure to meet the required Senior Funded Debt to EBITDA Ratio for the periods ending December 31, 2017 and March 31, 2018; and
 - (c) the Borrower's failure to meet the required Cumulative Year to Date EBITDA for the periods ending August 31, 2018, September 30, 2018, October 31, 2018, November 30, 2018 and December 31, 2018.
18. Without prejudice to the rights of the Lenders to demand payment under the Credit Agreement at any time, pursuant to section 12.2 of the Credit Agreement, the Lenders are entitled to exercise the following remedies upon the occurrence of any Event of Default:
 - (a) declare all obligations owing or payable under the Credit Agreement to be immediately due and payable with interest; and
 - (b) exercise any right or recourse and/or proceed by any action, suit, remedy or proceeding against the Borrowers and Guarantors authorized or permitted by law, and proceed to exercise any and all rights under the Credit Agreement, the Security and the other Credit Documents.
19. The Lenders each agreed to forbear from exercising certain of their rights and remedies against the BMT Group pursuant to a Forbearance Agreement dated as of October 4, 2018 (the "**Forbearance Agreement**"). Attached hereto as **Exhibit "O"** is a copy of the Forbearance Agreement. Pursuant to section 3.2 of Forbearance Agreement, the Lenders confirmed that they had not waived any of the Events of Default specified therein and expressly reserved all rights and remedies available under the Credit Agreement, the Security and at law.

20. Pursuant to the terms of the Forbearance Agreement, the Lenders' agreed to forbear from exercising their rights and remedies against the BMT Group until the earlier of the occurrence of a Terminating Event (as defined in the Forbearance Agreement) and January 31, 2019.
21. By a letter dated December 17, 2018 from the Bank to the Borrower, a copy of which is attached hereto and marked as **Exhibit "P"**, the Bank advised the Borrower that it had become aware of the occurrence of a Terminating Event (as defined in the Forbearance Agreement), and accordingly, the agreement of the Lenders to forbear from exercising their rights and remedies against the Borrowers and the Guarantors pursuant to the Forbearance Agreement had expired.
22. Accordingly, the Lenders are entitled to demand immediate payment in full of any amounts outstanding, together with outstanding accrued interest and any and all other indebtedness, under or with respect to the Credit Agreement and the other Credit Documents.

D. DEMAND FOR PAYMENT

23. On February 28, 2019, the Canadian Borrower, the Bank and Deloitte held a conference call meeting, wherein the parties discussed, *inter alia*, the deteriorating financial condition of the Canadian Borrower and the unavailability of additional liquidity for fiscal year 2019. It was agreed that Deloitte would conduct a condensed Sale and Investor Solicitation Process (the "**SISP**") to identify potential strategic and financial purchasers to either acquire the Canadian Borrower or refinance its then-current Credit Facilities. The SISP is described in greater detail in the Pre-Filing Report of Deloitte. On March 28, 2019, the Bank sent a letter to Pennington, summarizing the agreed arrangement of February 28, 2019, a copy of which is attached hereto and marked as **Exhibit "Q"**.
24. The SISP was run by Deloitte from March 14, 2019, with a deadline of April 5, 2019 for initial bids/offers from interested parties. As described in further detail in the Pre-Filing Report of Deloitte, no bids have been received from any party.

25. On April 12, 2019, the Bank issued demands for payment of the Indebtedness (defined below) to each of the Canadian Borrower, the US Borrower, the US Guarantor and the HK Guarantor. Attached hereto and marked as **Exhibits "R" to "U"** are copies of the demand letters that were delivered to each of the Canadian Borrower, the US Borrower, the US Guarantor and the HK Guarantor.
26. On April 12, 2019 the Lenders also delivered Notices of Intention to Enforce Security (the "**NITES**"), pursuant to the BIA, to each of the Canadian Borrower, the US Borrower and the US Guarantor. Upon delivery of the NITES, each of the Canadian Borrower, the US Borrower and the US Guarantor agreed to waive the ten (10) day notice period thereunder and also consented to the immediate enforcement by the Bank of the Security. Attached hereto and marked as **Exhibits "V" to "X"** are copies of the NITES that were delivered to the Canadian Borrower, the US Borrower and the US Guarantor and the consents from each of the Canadian Borrower, the US Borrower and US Guarantor.
27. As of April 10, 2019, the Borrowers are indebted or otherwise liable to the Lenders in the amount of CDN\$778,054.42 and US\$21,798,505.58, each inclusive of interest to April 10, 2019, but excluding any costs and expenses (including, without limitation, legal fees and expenses) incurred to date and that will be incurred after the date hereof and additional interest from and after April 10, 2019 to which the Lenders are entitled under the Credit Agreement (collectively, the "**Indebtedness**"). The Indebtedness is secured by, *inter alia*, the Security. Additional interest and costs will continue to accrue from and after April 10, 2019, until all amounts are paid in full.

E. REQUEST FOR THE APPOINTMENT OF DELOITTE AS RECEIVER

28. Pursuant to the Canadian Security Agreement, the Bank has the right to appoint a receiver.
29. As described above, the Borrowers are in default of their obligations to the Lenders and are unable to repay the secured indebtedness.

30. The urgent need to appoint a receiver is highlighted by the serious financial difficulties being experienced by BMT. In particular, I am informed by Mr. Jorden Sleeth, Senior Vice-President at Deloitte as follows:
- (a) the SISP has been unsuccessful, with no bids received from interested parties to date;
 - (b) by April 5, 2019, BMT was no longer able to meet its liabilities in the ordinary course without third party capital injections, and neither the Bank nor BMT's shareholders were willing to make further advances;
 - (c) the Canadian Borrower does not have sufficient liquidity to fund its operations and it has borrowed to the limit of its revolving Credit Facilities, with the existing revolver currently in a margin deficit position; BMT does not have sufficient available cash nor borrowing capacity to continue to operate as a going concern;
 - (d) BMT continues to experience unfavourable sales, increased operating costs due to supply chain disruption, and accounts receivable and inventory write-downs;
 - (e) the Canadian Borrower has been unable to meet customer demands, and coordinate its supply chain and manufacturing. This has resulted in widespread order cancellations, penalties, large accounts receivable write-offs, and lost future business; BMT's relationships with major customers such as Walmart, Target and Kroger are severely distressed; and
 - (f) BMT's factory relationships have also markedly deteriorated since the summer of 2018, with its Chinese manufacturers informing BMT that non-payment of past due payables of approximately \$4.5 million will result in the complete shutdown of production on BMT orders.
31. I am further advised by Pennington that the Canadian Borrower is in desperate need of liquidity. Recent efforts to secure investment from third parties and alternative financing arrangements with alternative lenders have all failed.

32. On account of BMT's continuing default and deteriorating financial circumstances, the Bank seeks to appoint Deloitte as the Receiver, so that the Receiver can (a) take possession of and exercise control over the Property; and (b) maximize the realizations from the Property.
33. Since its engagement as financial adviser to the Canadian Borrower, Deloitte has undertaken an extensive review of the current financial circumstances and operations of BMT and its affiliates. Accordingly, Deloitte is intimately familiar with the financial circumstances, operations and business of BMT.
34. If the relief sought is not granted, the Bank is of the view that any remaining value attributable to BMT's business and operations will be destroyed. The interests of BMT's secured creditors, including the Bank, will be irreparably harmed.
35. Deloitte is a licensed trustee in bankruptcy, and has consented to act as Receiver. Attached hereto and marked as **Exhibit "Y"** is a copy of the consent of Deloitte to act as Receiver.
36. This affidavit is sworn in support of an Order for the appointment of Deloitte as Receiver over the Property of BMT and for no other or improper purpose.

SWORN BEFORE ME at the City of
Toronto, in the Province of Ontario, this
23rd day of April 2019.

A Commissioner for Taking Affidavits.

**Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.**

ROBERT A. KIEFER

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED

BANK OF MONTREAL

- and -

BEST MADE TOYS INTERNATIONAL, ULC, BEST MADE TOYS LLC, BEST MADE TOYS GLOBAL ENTERPRISES LIMITED and BEST MADE TOYS HOLDING LLC

Applicant

Respondents

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

PROCEEDINGS COMMENCED AT TORONTO

**AFFIDAVIT OF ROBERT A. KIEFER
(Sworn April 23, 2019)**

BORDEN LADNER GERVAIS LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON M5H 4E3
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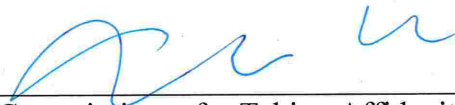
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Lawyers for the Applicant

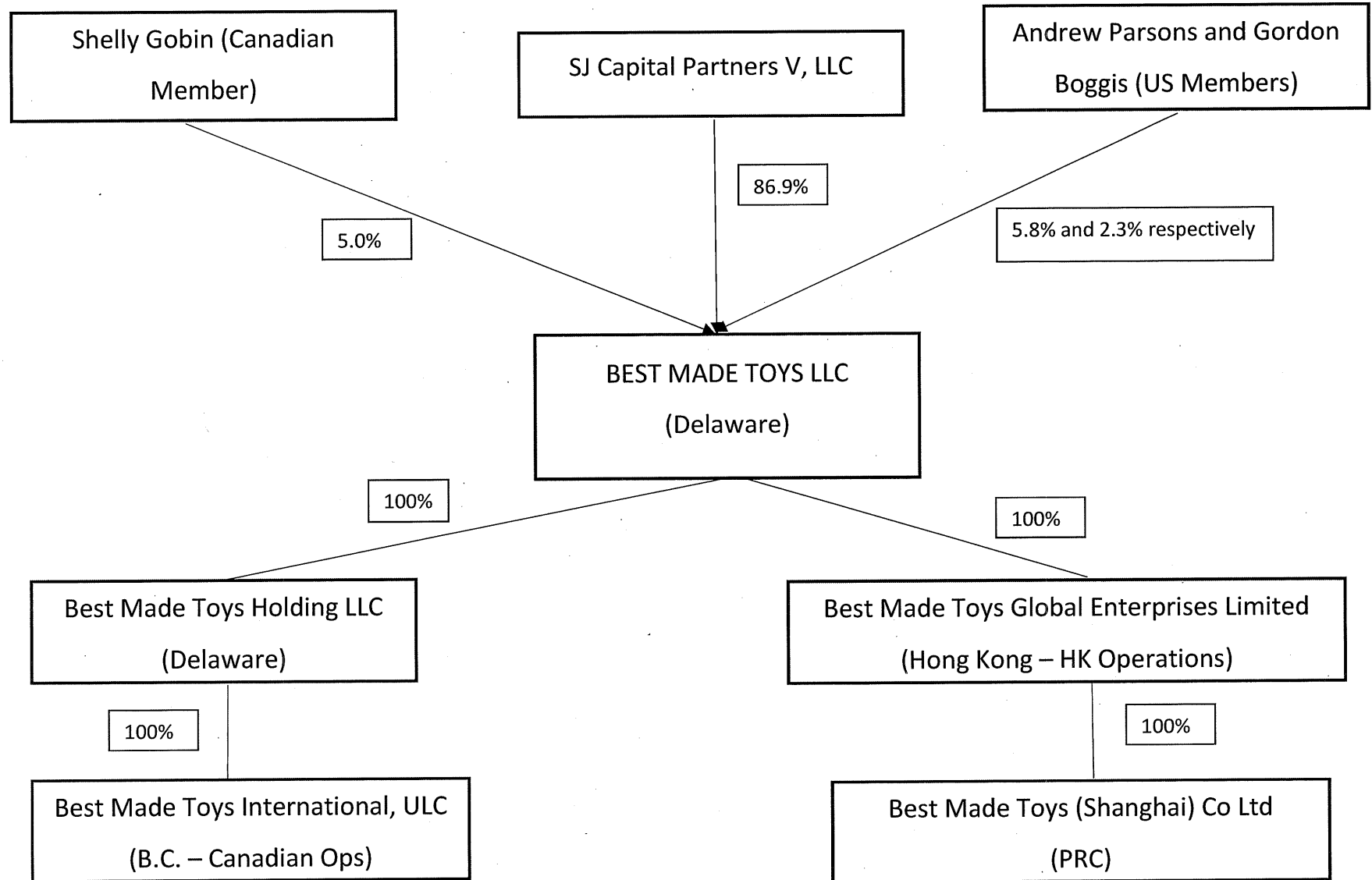
Tab A

THIS IS EXHIBIT "A" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME
ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

**Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.**



Tab B

THIS IS EXHIBIT "B" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

AMENDED AND RESTATED CREDIT AGREEMENT

As of October 4, 2018

BETWEEN

BEST MADE TOYS INTERNATIONAL, ULC,
as Canadian Borrower,

- and -

BEST MADE TOYS LLC,
as U.S. Borrower

- and -

BEST MADE TOYS GLOBAL ENTERPRISES LIMITED
as Guarantor

- and -

BEST MADE TOYS HOLDING LLC
as Guarantor

- and -

BANK OF MONTREAL,
as Canadian Lender

- and -

BANK OF MONTREAL, acting through its Chicago Branch,
as U.S. Lender

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CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT is made as of the 4th day of October, 2018,

BETWEEN:

BEST MADE TOYS INTERNATIONAL, ULC

a corporation incorporated under the laws of the Province of British Columbia,
(the “**Canadian Borrower**”)

- and -

BEST MADE TOYS LLC

a corporation incorporated under the laws of Delaware
(the “**U.S. Borrower**”)

- and -

BEST MADE TOYS GLOBAL ENTERPRISES LIMITED

a company incorporated under the laws of Hong Kong with company number 2218108 and having its registered office at 13/F, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong
(the “**Hong Kong Guarantor**”)

- and -

BEST MADE TOYS HOLDING LLC

a corporation incorporated under the laws of Delaware
(the “**US Guarantor**”)

- and -

BANK OF MONTREAL, as a lender (the “**Canadian Lender**”)

- and -

BANK OF MONTREAL, acting through its Chicago Branch, as a lender
(the “**U.S. Lender**”)

RECITALS:

WHEREAS the Canadian Lender and the U.S. Lender (collectively, the “**Lenders**”) have agreed to provide certain credit facilities to the Canadian Borrower and the U.S. Borrower (collectively, the “**Borrowers**”) on the terms and conditions set forth in the credit agreement dated as of May 29, 2015 between, *inter alia*, the Borrowers and the Lenders (as amended by a first amendment dated as of September 15, 2015, a second amendment dated as of June 28, 2016 and a

third amendment dated as of October 6, 2017, and as further amended, restated, supplemented or replaced, the “**Original Credit Agreement**”).

AND WHEREAS the Lenders, the Obligors and SJ Capital Partners V, LLC entered into a forbearance agreement dated as of October 4, 2018 (as amended, restated, supplemented or replaced from time to time, the “**Forbearance Agreement**”) pursuant to which, *inter alia*, the Lenders agreed to forbear from exercising their rights as a result of certain defaults under the Original Credit Agreement and the other Credit Documents on the terms set out therein.

AND WHEREAS the Lenders and the Obligors have agreed to make certain amendments to, and restate the terms of, the Original Credit Agreement in its entirety in accordance with the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the covenants and agreements contained in this Agreement, the Parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.1 Definitions

Unless there is something in the subject or the context inconsistent therewith, the capitalized words and expressions used in this Agreement, in its schedules or in any deed or agreement supplemental or ancillary hereto shall have the following meanings:

“**Acceleration Date**” means the earlier of: (i) the date of Demand; and (ii) the occurrence of an Insolvency Event.

“**Account Debtor**” means any Person who is obligated to pay an Account Receivable;

“**Account Receivable**” means any right of a Person to payment for services rendered by it, goods sold by it, or from any other transaction made in the ordinary course of business, classified as an account receivable in accordance with GAAP;

“**Acquisition**” means, with respect to any Person, any purchase or other acquisition, regardless of how accomplished or effected (including any purchase or other acquisition effected by way of amalgamation, merger, arrangement, business combination or other form of corporate reorganization, or by way of purchase, lease or other acquisition arrangements), of:

- (a) any other Person (including any purchase or acquisition of issued and outstanding securities of, or a portion of an equity interest in, another Person, with the effect of that other Person becoming a Subsidiary of the purchaser) or of all or substantially all of the Property of any other Person; or
- (b) any division, business, operation or undertaking of any other Person or of all or substantially all of the Property of any division, business, operation or undertaking of any other Person;

“Additional Compensation” has the meaning given to it in Section 14.1;

“Advance” means a borrowing by a Borrower by way of a Prime Rate Advance, a Base Rate Advance or a U.S. Prime Rate Advance, and any reference relating to the amount of Advances shall mean the sum of the principal amount of all outstanding Prime Rate Advances, Base Rate Advances, U.S. Prime Rate Advances, whether as a result of an Advance, deemed advance or Conversion, plus the maximum amount payable under Letters of Credit;

“Aggregate Mark to Market Exposure Amount” means, at any time, the sum of the Mark to Market Amounts of each of the Hedge Arrangements that is "out of the money" from the Borrowers' perspective, after taking into account the netting provisions, if any, under such Hedge Arrangements;

“Affected Loan” has the meaning given to it in Section 14.2;

“Affiliate” has the meaning given to that term in the OBCA and includes a directly or indirectly held Subsidiary of any of the Obligor;

“Agreement” means this agreement, including its attached schedules, and all amendments made to it in accordance with its provisions as amended, revised, replaced, supplemented or restated from time to time;

“Annual Operating Budget” means the annual detailed combined financial projections and budgets of the Consolidated Group on an annual basis for the following Fiscal Year, in each case consisting of a balance sheet, statement of income, statement of changes in financial position and proposed Capital Expenditures for such year for the Borrowers;

“Applicable Law” means, in respect of a Person, Property, transaction, event or other matter, as applicable, all present or future Law relating or applicable to that Person, Property, transaction, event or other matter;

“Applicable Margin” means, (i) for Facility 4 Revolver, the applicable margin or fee rate, as the case may be, expressed as basis points *per annum* (a basis point being 0.01%) which when added to the Prime Rate, US\$ Prime Rate or Base Rate (as applicable) equals an interest rate of 10% per annum; and (ii) for Facility 1 Revolver, Facility 2, Facility 3 and Facility 5, at any particular time, the applicable margin or fee rate, as the case may be, expressed as basis points *per annum* (a basis point being 0.01%) which (i) are in effect at such time as set forth in the following table:

<u>Senior Funded Debt /EBITDA</u>	<u>LC Margin</u>	<u>CDN\$ Prime Rate or US\$ Base Rate/Prime Margin</u>	<u>Standby Fee</u>
< 2.00:1	175 bps	75 bps	40 bps

$\geq 2.0:1.0 < 2.5:1.0$	250 bps	150 bps	63 bps
$\geq 2.5:1.0 < 3.0:1.0$	300bps	200 bps	75 bps
$\geq 3.0:1.0 < 3.25:1$	450 bps	300 bps	88 bps
$\geq 3.25:1.0 < 3.50:1$	475 bps	350 bps	100 bps
$\geq 3.50:1.0 < 3.75:1$	500 bps	450 bps	125 bps
$\geq 4.0:1.0$	550 bps	550 bps	150 bps

After Demand by the Lenders or after the occurrence and during the continuance of an Event of Default the Applicable Margin otherwise applicable shall be increased by 200 bps.

“Applicable Order” means any applicable domestic or foreign order, judgment, award or decree of any Governmental Authority;

“Arm’s Length” has the meaning specified in the definition of Non-Arm’s Length;
“Associate” means an “associate” as defined in the OBCA;

“Availment Option” means a method of borrowing under any Credit Facility which is available to the Borrower as provided herein;

“Base Rate” means, for any day, the fluctuating rate of interest per annum equal to the fluctuating annual rate of interest, expressed on the basis of a year of 365 or 366 days, as applicable, designated by the Canadian Lender from time to time for determining interest chargeable by it on U.S. dollar commercial loans made by such Lender in Canada;

“Base Rate Advance” means an Advance made by the Canadian Lender to a Borrower with respect to which such Borrower has specified that interest is to be calculated by reference to the Base Rate;

“Base Rate Margin” means the applicable percentage rate per annum expressed in basis points indicated below the reference to “Prime Rate / Base Rate / U.S. Prime Rate Advances” in the pricing grid provided for in the definition of Applicable Margin;

“Benefit Plan” shall mean a defined benefit plan as defined in Section 3(35) of ERISA (other than a Multiemployer Plan) in respect of which the U.S. Borrower or an ERISA Affiliate is, or within the immediately preceding six (6) years was, an “employer” as defined in Section 3(5)d ERISA;

"Borrowers' Counsel" means the firm of Goodmans LLP or such other firm of legal counsel as the Borrowers may from time to time designate;

"Borrowing Base" means, at any time, the sum of (a) 90% of Eligible Accounts Receivable including, for certainty, any Account Receivables of any Obligor that would otherwise constitute Eligible Accounts Receivables but for a failure to comply with subsection (e) of the definition of **"Eligible Account Receivables"** provided that such Accounts Receivable are insured by an insurance provider acceptable to the Lenders in their sole discretion to the full amount thereof satisfactory to the Lenders in their sole discretion, plus (b) 75% of all Eligible Accounts Receivable owed by Account Debtors located in Canada or the United States, plus (c) 75% of the undrawn face amount of all confirmed letters of credit issued by banking institutions in favour of the Borrowers on behalf of any payees of the Borrowers, each acceptable to the Lenders in their sole discretion, plus (d) the lesser of (i) 50% of Eligible Inventory and (ii) \$3,000,000, less (e) the aggregate of (i) Priority Payables and (ii) the aggregate amount of any Debt constituting a Prior Claim against the Property of any Obligor; in each case as at such time;

"Borrowing Base Certificate" means the certificate to be delivered pursuant to Section 10.2.8 in substantially the form annexed as Schedule 1 and signed by a Senior Officer of the Borrower;

"bps" means basis points;

"Business" means the business carried on by the Obligors as of the date of this Agreement consisting of the manufacture and packaging of toy, pet products and other consumer goods and all other activities related or ancillary thereto;

"Business Day" means (a) for Advances hereunder, any day excluding Saturday, Sunday and any other day which in Toronto, Province of Ontario is a legal holiday or a day on which any Lender is authorized by Law or by local proclamation to close and (b) for all other purposes, means any day excluding Saturday, Sunday and any other day which in Toronto, Ontario or Chicago, Illinois is a legal holiday or a day on which the Lender is authorized by Law or by local proclamation to close;

"Canadian Dollars" means the lawful money of Canada;

"Canadian Vendor" means Best Made Toys International Inc.;

"Capital Expenditures" means, for any period, any expenditure made by any Person, on a consolidated basis, for the purchase, Acquisition, licence, erection, development, improvement, construction, repair or replacement of capital assets, and any expenditure related to a Capital Lease or an operating lease to the extent such expenditure would be required to be reflected as a capital expenditure in accordance with GAAP provided that the term "Capital Expenditures" shall not include (a) expenditures made in connection with the replacement, substitution or restoration of assets (i) to the extent, but only to the extent, financed from insurance proceeds paid on account of the loss of or damage to the assets being replaced or restored or (ii) to the extent, but only to the extent, funded with awards of compensation arising from the expropriation, taking by eminent domain or

condemnation of the assets being replaced, (b) the purchase price of equipment that is purchased simultaneously with the trade-in of existing equipment to the extent of the credit granted by the seller of such equipment for the equipment being traded in at such time, (c) the purchase price of tangible fixed assets and other capital expenditures made within 120 days of the sale of any asset to the extent purchased with the proceeds of such sale, or (d) expenditures that constitute any part of rental expenses under operating leases for real or personal property;

“Capital Lease” means any lease which should be treated as a capital lease under GAAP;

“Capitalization” means Total Senior Funded Debt plus all shareholder’s equity in the Obligors;

“cash” means U.S dollars, Canadian dollars, Hong Kong dollars or RMB (being the currency of the Peoples Republic of China), as applicable;

“Cash Equivalents” means:

- (a) marketable direct obligations issued by, or unconditionally guaranteed by, the government of the United States of America or Canada or any agency or instrumentality thereof, and backed by the full faith and credit of the United States of America or Canada, in each case maturing within one year from the date of acquisition;
- (b) term deposits, certificates of deposit, or overnight bank deposits having maturities of 12 months or less from the date of acquisition, issued by either Lender or by any commercial bank organized under the laws of Canada or any of its provinces, having a combined capital and surplus of not less than \$500,000,000;
- (c) investment funds investing at least 95% of their assets in securities of the types described in clauses (a) to (b) above; and
- (d) readily marketable direct obligations issued by any State of the United States of America or any Province of Canada or any political subdivision of any of the foregoing having one of the two highest rating categories given by Moody’s or by Standard & Poor’s with maturities of 24 months or less from the date of acquisition;

“Change of Control” means if SJ Capital Partners V, LLC ceases to own, legally and beneficially, directly or indirectly, greater than 75% of the issued and outstanding stock of the U.S. Borrower, or the U.S. Borrower ceases to own, legally and beneficially, directly or indirectly, all of the issued and outstanding stock of the other Obligors;

“Change of Law” has the meaning given to it in Section 14.1;

“Closing” means completion on the Closing Date of matters relating to the maintenance and/or establishment of the Credit Facilities by the Lenders in favour of the Borrowers contemplated by this Agreement;

“Closing Date” means October 4, 2018.

“Original Closing Date” means May 29th, 2015;

“Code” means the *Internal Revenue Code* of 1986 of the United States, as amended from time to time, and any successor statute and including all regulations issued under all such statutes;

“Compliance Certificate” means the certificate required pursuant to Section 10.2.7, substantially in the form annexed as Schedule 2 and signed by a Senior Officer of each of the Borrowers;

“Consolidated Group” means the Obligor and each of their Subsidiaries;

“Contingent Obligation” means, in respect of any Person, any obligation, whether secured or unsecured, of that Person guaranteeing or indemnifying, or in effect guaranteeing or indemnifying, any indebtedness, leases, dividends, letters of credit or other monetary obligations (the **“primary obligations”**) of any other Person (a **“primary obligor”**) by that Person in any manner, whether directly or indirectly, including, without limitation, any obligation of that Person as an account party in respect of a letter of credit or letter of guarantee issued to assure payment by a primary obligor of any primary obligation, and any other obligations of that Person, whether or not contingent, to:

- (a) purchase any primary obligation or any Property constituting direct or indirect security therefor;
- (b) advance or supply funds for the purchase or payment of any primary obligation or to maintain working capital or equity capital of a primary obligor or otherwise to maintain the net worth or solvency of a primary obligor;
- (c) purchase Property, securities or services primarily for the purpose of assuring the obligee under any primary obligation of the ability of a primary obligor to make payment of a primary obligation; or
- (d) otherwise assure or hold harmless the obligee under any primary obligation against loss; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business;

“Control” (including with correlative meanings the terms “controlled by” and “under common control with”) in respect of a corporation has the meaning given thereto in the OBCA and in respect of any other Person means the power to direct or cause the direction of the management and policies of any Person, whether through the ownership of shares or voting interests or by contract or otherwise;

“Conversion” means a conversion of an Advance pursuant to Section 2.4;

“Conversion Date” means the Business Day specified by either Borrower on which to convert one type of Advance into another type of Advance;

“Credit Documents” means this Agreement, the Security, the Forbearance Agreement, all Letters of Credit, all Letter of Credit Agreements, the Letter of Credit and Reimbursement Agreement and all other documents, certificates and instruments executed or delivered or to be executed or delivered by an Obligor in each case to the Lender pursuant hereto or thereto or in respect herewith or therewith, as the same may be modified, amended, extended, restated or supplemented from time to time and **“Credit Document”** shall mean any one of the Credit Documents;

“Credit Facilities” means the credit facilities established by the Lenders for the Borrowers, respectively, pursuant to this Agreement as more particularly set out in Section 2.1; and **“Credit Facility”** means any of them as the context requires;

“Debt” means, with respect to any Person, at any time:

- (a) all items which would then be classified as liabilities on that Person’s consolidated balance sheet, or the notes thereto, including, without limitation, indebtedness for any Advances under the Credit Facilities; and
- (b) without duplication, any item which is then to that Person:
 - (i) an obligation in respect of borrowed money, or for the deferred purchase price of Property or services, or an obligation which is evidenced by a note, bond, debenture or any other similar instrument;
 - (ii) a transfer with recourse or with an obligation to repurchase, to the extent of that Person’s liability;
 - (iii) an obligation secured by any Encumbrance on any of that Person’s Property to the extent attributable to that Person’s respective interest in such Property, even though it has not assumed or become liable for its payment;
 - (iv) a Capital Lease obligation or a Purchase Money Security Interest;
 - (v) an obligation arising in connection with an acceptance facility or letter of credit or letter of guarantee issued by or for the account of any Person;
 - (vi) a Contingent Obligation to the extent that the primary obligation guaranteed is not otherwise classified as a liability on that Person’s balance sheet;
 - (vii) the aggregate amount at which any shares in that Person’s capital which are redeemable or retractable at the option of the holder of such shares (except where the holder is that Person) may be redeemed or retracted;
 - (viii) all current obligations in respect of any unfunded vested benefits under any Plan covered by Title IV of ERISA; or

- (ix) any other obligation arising under arrangements or agreements that, in substance, provide financing to such Person;

provided, however, that there shall not be included for the purpose of this definition any item which is on account of:

- (x) subject to Section (b)(vii) above, issued share capital or surplus;
- (xi) reserves for deferred income taxes or general contingencies;
- (xii) minority interests in Subsidiaries;
- (xiii) trade accounts payable and accrued liabilities (including deferred revenues and income taxes payable) incurred in the ordinary course of business, except to the extent any of the trade accounts payable or accrued liabilities under this Section (b)(xiii) remain unpaid more than 120 days after the date upon which they are due unless (i) such trade account payable or accrued liabilities are in dispute by the applicable Person in good faith and such dispute is ongoing, or (ii) the aggregate amount of any such trade accounts payable or accrued liabilities remaining unpaid more than 120 days after their respective due dates does not exceed \$100,000; or
- (xiv) the Aggregate Mark to Market Exposure Amount of any Hedge Arrangements relating to forward foreign exchange transactions as permitted pursuant to Section 10.3.15 of this Agreement

“Demand” means a demand for repayment under Section 7.1.

“Depreciation Expense” means, with respect to any Person, for any period, depreciation, amortization, depletion and other like reductions to income of that Person for that period not involving any outlay of cash, determined in accordance with GAAP;

“Disposition” means any sale, assignment, transfer, conveyance, lease, licence or other disposition of any nature or kind whatsoever of any Property or of any right, title or interest in or to any Property, and the verb **“Dispose”** shall have a correlative meaning;

“Distribution” means, with respect to any Person, any payment, directly or indirectly, by that Person:

- (a) of any dividends in cash or Property or returning any capital to its shareholders or its partners;
- (b) 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 shares, warrants, options or rights to acquire any such shares or any partnership or other units of any class of its capital now or hereafter outstanding; or

- (c) of any management fee paid or comparable payment to any Affiliate of such Person (including, for certainty, any management fees paid to SJ Partners, LLC or any of its Affiliates) or to any director or officer of such Person or Affiliate of such Person, or to any Person not dealing at Arm's Length with such first Person or Affiliate, director or officer;

"DOL" means the United States Department of Labor and any successor department or agency;

"Dodd-Frank Act" means the *Dodd-Frank Wall Street Reform and Consumer Protection Act* of 2010, as enacted by the United States Congress, and signed into law on July 21, 2010, and all statutes, rules, guidelines or directives promulgated thereunder;

"Drawdown" means any of:

- (a) a Prime Rate Advance;
- (b) a Base Rate Advance;
- (c) a U.S. Prime Rate Advance; or
- (d) the issuance of a Letter of Credit.

"Drawdown Date" means the Business Day on which a Drawdown is made available to the Borrower pursuant to the provisions of this Agreement;

"EBITDA" means, for any given period, the consolidated Net Income of the Consolidated Group in accordance with GAAP for such period: (a) increased by, to the extent deducted in computing such Net Income (without duplication) for such period, (i) Total Interest Expense, (ii) Income Tax Expense, (iii) Depreciation Expense, (iv) non-cash items, (v) extraordinary, unusual or non-recurring expenses as agreed to by the Lenders, (vi) expenses related to interest rate hedging, (vii) unrealized foreign currency and interest rate hedging transaction losses, and (viii) reasonable management fees and expenses paid during such period paid to SJ Partners, LLC; (b) decreased by, to the extent added in computing such Net Income, (i) non-cash gains realized during such period which, in accordance with GAAP, were required to be included in the calculation of Net Income, (ii) extraordinary, unusual or non-recurring gains, and (iii) unrealized foreign currency hedging transaction gains.

"EDC" means Export Development Canada.

"EDC Guarantee" means a guarantee agreement between EDC and the Lenders in form and substance satisfactory to the Lenders, in their sole and unfettered discretion, pursuant to which EDC shall guarantee 50% of the aggregate outstanding amount under Facility 4 Revolver, which such guarantee agreement, as of the Closing Date, expires on February 1, 2019.

“Eligible Account Receivable” means at any time, any Account Receivable of any Obligor in question which meets, at such time, all of the standards of eligibility from time to time established and revised by the Lenders in their reasonable discretion. Without in any way limiting the discretion of the Lenders to establish other or further standards of eligibility, Eligible Accounts Receivable shall not include any Account Receivable for which any of the following statements is not accurate (and each Obligor, by including an Account Receivable in any computation of the Borrowing Base, shall be deemed to represent and warrant to the Lender that all of such statements are accurate in respect of such Account Receivable):

- (a) it is a valid and legally enforceable obligation of the Account Debtor;
- (b) it is genuine as appearing on its face or as represented in the books and records of the subject Obligor;
- (c) it is free from valid claims regarding rescission, cancellation or avoidance, whether by operation of Law or otherwise and is net of all then applicable holdbacks asserted or claimed;
- (d) without limiting the generality of paragraph (c) of this definition, if subject to any offset, counterclaim or other defence on the part of the Account Debtor or any claim on the part of the Account Debtor denying liability in whole or in part, it is reduced by the amount of such offset, counterclaim, other defence or claim;
- (e) no invoice evidencing it is unpaid sixty (60) days after the date of it being due;
- (f) it is denominated in Canadian Dollars or in United States Dollars;
- (g) it is subject to a first priority security interest in favour of the Lender (subject to Permitted Encumbrances) which has been perfected under the Law of the jurisdiction in which the owner thereof is located in accordance with the applicable Security;
- (h) subject to Permitted Encumbrances, it is free and clear of all Encumbrances other than Priority Payables (the aggregate amount of which Priority Payables having been fully deducted in calculating the Borrowing Base);
- (i) the Account Debtor obligated on it is not an Obligor or Affiliate or an Associate of any Obligor nor is it an employee, agent, shareholder, director or other representative of any Obligor, or, in each case, to their respective Affiliates or Associates;
- (j) all consents, licences, approvals, or authorizations of, or registrations or declarations with, any Governmental Authority required to be obtained, effected or given in connection with the execution, delivery and performance of it by each Account Debtor obligated under it and the Encumbrance over it created by the Security have been duly obtained, effected or given and are in full force and effect;

- (k) without limiting the generality of paragraph (j) of this definition, the Account Debtor obligated on it is not a Governmental Authority except to the extent it is assignable without consent or all necessary consents to assignment have been obtained;
- (l) the Account Debtor obligated on it has not suspended business or become insolvent, admitted its inability to pay its debts as they come due, made a general assignment for the benefit of its creditors, consented to or applied for the appointment of a receiver, trustee, custodian, liquidator for itself or any material part of its Property and no petition has been filed by or against such Account Debtor under any bankruptcy or reorganization Law which is outstanding at such date, unless the same is being contested actively and diligently in good faith by appropriate and timely proceedings and is dismissed, vacated or permanently stayed within 60 days of execution;
- (m) it is not an Account Receivable which is subject to undue credit risk in the opinion of the Lenders, in their sole discretion; and
- (n) it is not an Account Receivable related to an Eligible Customer Contract, the Eligible Pre-Shipment Costs of which were financed in whole or in part by Facility 4 Revolver.

An Account Receivable which is at any time an Eligible Account Receivable but which subsequently fails to meet any of the requirements in paragraphs (a) through (n) above and any other standards of eligibility for Eligible Accounts Receivable established by the Lender shall immediately cease to be an Eligible Account Receivable;

“Eligible Customer Contracts” means written contracts with customers of the Borrowers, satisfactory to the Lenders in their sole discretion, including without limitation those written contracts listed on Schedule 15 and all documented purchase orders from customers of the Borrowers;

“Eligible Inventory” means at any time (i) all raw materials and (ii) any finished goods inventory of any Obligor in question which meets, at such time, all of the standards of eligibility from time to time established and revised by the Lenders in their discretion. Without in any way limiting the discretion of the Lender to establish other or further standards of eligibility, Eligible Inventory shall not include any raw materials or any inventory for which any of the following statements is not accurate (and each Obligor, by including such inventory in any computation of the Borrowing Base, shall be deemed to represent and warrant to the Lender that all of such statements are accurate in respect of such inventory):

- (a) it is subject to a first priority security interest in favour of the Lender (subject to Permitted Encumbrances) and has been perfected under the Law of the jurisdiction in which the inventory is located in accordance with the applicable Security;
- (b) other than Permitted Encumbrances, it is free and clear of all Encumbrances;

- (c) it meets all material standards imposed by any Applicable Law,
- (d) it is not placed on consignment nor is it held on consignment from another Person;
- (e) it is not subject to repossession on account of the "30 day goods" rule under section 81.1 of the *Bankruptcy and Insolvency Act* (Canada);
- (f) it is covered by the insurance coverage required under this Agreement;
- (g) it is not subject to a distribution agreement, licence or similar agreement with a third party which could restrict the Lender from exercising its rights and remedies in respect of it and in respect of which the Lender does not hold an agreement duly executed by such third party in form and substance satisfactory to the Lender under which the third party consents to the Lender exercising its rights and remedies in respect of it;
- (h) it is located at the locations of the Borrower disclosed in Schedule 8 (all of which locations are located within Canada or the United States) and is in the possession and control of the Borrower located at facilities owned by the Borrower or, if such facilities are not owned by the Borrower, for each such location either: (i) the Borrower and the owner of such facilities have delivered a landlord waiver or bailee consent in form satisfactory to the Lender with respect thereto; or (ii) there shall be deducted from the Total Eligible Inventory amount calculated on each successive Borrowing Base Certificate an amount equal to the aggregate of three (3) month's rent and additional rent under the lease or agreement between the Borrower and the landlord/sublandlord of the facilities in question; and
- (i) it is not inventory to be supplied to a customer pursuant to an Eligible Customer Contract, the Eligible Pre-Shipment Costs of which were financed in whole or in part by Facility 4 Revolver.

"Eligible Pre-Shipment Costs" means the costs necessarily incurred by the Borrowers or by suppliers of the Borrowers to produce the inventory to be supplied under the applicable Eligible Customer Contracts;

"Encumbrance" means, in respect of any Person, any mortgage, debenture, pledge, hypothec, lien, charge, assignment by way of security, hypothecation or security interest granted or permitted by that Person or arising by operation of law, in respect of any of that Person's Property, or any consignment or Capital Lease of Property by that Person as consignee or lessee or any other security agreement, trust or arrangement having the effect of security for the payment of any debt, liability or obligation, and **"Encumbrances"**, **"Encumbrancer"**, **"Encumber"** and **"Encumbered"** shall have corresponding meanings;

"Equivalent Amount" means with respect to any two currencies, the amount obtained in one currency when an amount in the other currency is translated into the first currency, using the spot wholesale transactions buying rate of the Bank of Canada for the purchase of the applicable amount of the first currency with the other currency, in effect as of 12:00 noon (Toronto time) on the Business Day with respect to which such computation is

required for the purpose of this Agreement or, in the absence of such a buying rate on that date, using such other rate as the Lender may select in its sole discretion, acting reasonably;

"ERISA" means the *Employee Retirement Income Security Act* of 1974, as amended from time to time, and any successor statute of similar import, together with the regulations promulgated thereunder by the United States Treasury Department, the DOL and/or the PBGC;

"ERISA Affiliate" means each trade or business (whether or not incorporated) which together with the U.S. Borrower, is traded as a "single employer" under Sections 414(b), (c), (m) or (o) of the Code or would be deemed to be a "single employer" within the meaning of Section 4001 of ERISA;

"Escrow Account" means the escrow account in the name of the Canadian Borrower held at Bank of Montreal with account number 0002-4603-956.

"Excluded Taxes" means, with respect to the Lender or any other recipient of any payment to be made by or on account of any obligation of any Obligor hereunder, the following taxes, including interest, penalties or other additions thereto: (a) income, capital or franchise taxes imposed on or measured by its gross or net income by the jurisdiction under the laws of which such recipient is organized or otherwise resident for Tax purposes or in which its principal office is located or in which it is otherwise deemed to be engaged in or carrying on a trade or business for Tax purposes, in each case including any political subdivision thereof, and (b) any branch profits taxes or any similar tax imposed by any jurisdiction described in clause (a) of this definition;

"Event of Default" has the meaning given to it in Section 12.1;

"Existing Defaults" has the meaning given to it in the Forbearance Agreement;

"Facility 1 Revolver" has the meaning given to it in Section 2.1.1;

"Facility 2" has the meaning given to it in Section 2.1.2;

"Facility 3" has the meaning given to it in Section 2.1.3;

"Facility 4 Revolver" has the meaning given to it in Section 2.1.4;

"Facility 5" has the meaning given to it in Section 2.1.5;

"Financial Assistance" means, without duplication and with respect to any Person, all loans granted by that Person and Contingent Obligations incurred by that Person for the purpose of, or having the effect of, providing financial assistance to another Person or Persons, including, without limitation, letters of guarantee, letters of credit, legally binding comfort letters or indemnities issued in connection with them, endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business), obligations to purchase assets regardless of the delivery or non-delivery of those assets and obligations to make advances or otherwise provide financial assistance to any other entity,

and for greater certainty “**Financial Assistance**” shall include any guarantee of any third party lease obligations and, for the avoidance of doubt, shall not include any deposits given to factories in the ordinary course of the Business;

“**Financial Covenants**” has the meaning given to it in Section 10.2;

“**Fiscal Quarter**” means the fiscal quarters used by the Borrowers;

“**Fiscal Year**” has the meaning given to it in Section 9.1.24;

“**Fixed Charge Coverage Ratio**” means, with respect to the Consolidated Group for any period, the ratio, (a) the numerator of which is EBITDA for such period minus the sum of (i) all Unfunded Capital Expenditures (ii) dividends paid outside the Consolidated Group during such period, subject to the approval of the Lenders in accordance with the terms hereof (except any dividends which are used to pay any shareholder tax obligations or payment of any amount of the Contingent Purchase Price (as such term is defined in the Target Purchase Agreements) received from the Vendors), (iii) normalized cash Taxes in respect of the income of the Consolidated Group paid in such period (iv) any and all expenses capitalized during such period (save and except for any such expenses consented to in writing by the Lender) and (v) management fees paid to SJ Partners LLC, and (b) the denominator of which is the aggregate of all scheduled principal and interest payments made (or required to be made) by any member of the Consolidated Group on account of any Total Debt in such period, calculated in accordance with Section 10.2.4;

“**Forbearance Agreement**” is defined in the Recitals;

“**Four Quarter Period**” means, as at the last day of any particular Fiscal Quarter, the period of four consecutive Fiscal Quarters which is then ending;

“**GAAP**” means Part II-Accounting Standards for Private Enterprises as approved by the Canadian Accounting Standards Board, as published in the Canadian Public Accountant’s Handbook as at the date on which such calculation is made or required to be made;

“**Governmental Authority**” means the government of any nation, province, territory, municipality, state or other political subdivision of any nation, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, or the application, enforcement, or interpretation of Law, including any central bank or other federal or provincial regulatory body;

“**Guarantors**” means, collectively, each of the parties executing this Agreement as a Guarantor and any Person which, on the Closing Date or at any time thereafter is required to become a guarantor of the Obligations of the Borrowers to the Lender pursuant to either Section 11.1 or Section 10.3.21 hereof and “**Guarantor**” shall mean any one of them;

“**Hazardous Substance**” means any substance, product, waste, pollutant, material, chemical, contaminant, dangerous good, ozone-depleting substance, or other material, including any constituent of any of them, which is or becomes listed, regulated, or

addressed under any Requirements of Environmental Law, including, without limitation, asbestos, petroleum and polychlorinated biphenyls;

"Hedge Arrangement" means, with respect to any Person, any arrangement or transaction between that Person and any other Person which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, interest rate option, forward foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of such transactions or arrangements) designed to protect or mitigate against risks in interest, currency exchange or commodity price fluctuations.

"Hong Kong Vendor" means Best Made Toys Global Limited;

"Income Tax Expense" means, with respect to any Person, for any period, the aggregate of all Taxes on the income of that Person for that period, whether current or deferred, determined in accordance with GAAP;

"Information" has the meaning given to it in Section 16.2(b);

"Insolvency Event" means an Event of Default described in Section 12.1(m), (n) or (o);

"Intellectual Property" means, in whatever format, all registered and unregistered domestic and foreign patents, patent applications, inventions upon which patent applications have not yet been filed, service marks, trade names, trademarks, trade mark registrations and applications, logos, copyright works, copyright registrations and applications, trade secrets, formulae, technology, designs, processes, software, software applications, inventions, franchises, know-how, domain names, uniform resource locators (URLs) and other intellectual property rights, including certain proprietary custom inventory pricing software;

"Interest Payment Date" means with respect to each Prime Rate Advance, U.S. Prime Rate Advance and Base Rate Advance, the first Business Day of each calendar month;

"Interest Period" means:

- (a) with respect to any Prime Rate Advance, U.S. Prime Rate Advance or Base Rate Advance, the period commencing on the applicable Drawdown Date or Conversion Date, as the case may be, and terminating on the date selected by the Borrowers for the Conversion of that Advance into another type of Advance or for the repayment of that Advance but excluding the date on which such Advance is repaid in full;
- (b) with respect to any Letter of Credit, the period commencing on the date of issuance of that Letter of Credit and terminating on the last day on which that Letter of Credit is outstanding,

provided that in any case the last day of each Interest Period shall be also the first day of the next Interest Period, and further provided that if the last day of any

Interest Period selected by the Borrowers is not a Business Day, the Borrowers shall be deemed to have selected an Interest Period the last day of which is the Business Day next following the last day of the Interest Period;

“Investment” in any Person means any direct or indirect:

- (a) Acquisition of any shares of capital stock or other equity securities of such Person,
- (b) Acquisition, by purchase or otherwise, of all or substantially all of the business, assets or stock or other evidence of beneficial ownership of that Person, or
- (c) loan or other provision of financial assistance to any Person.

The amount of any Investment shall be its original cost, plus the cost of all additions to that Investment or purchase price adjustments, minus the amount of any portion of that Investment repaid to that Person in cash as a return of capital, but without any other adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to that Investment. In determining the amount of any Investment involving a transfer of any Property other than cash, that Property shall be valued at its fair market value at the time of its transfer;

“ITA” means the *Income Tax Act* (Canada);

“Judgment Conversion Date” has the meaning given to it in Section 16.5(a);

“Judgment Currency” has the meaning given to it in Section 16.5(a);

“Law” means all laws, (including the common law), by-laws, ordinances, rules, statutes, regulations, treaties, orders, rules, judgments and decrees, and all official directives, rules, guidelines, notices, approvals, orders, policies and other requirements of any Governmental Authority whether or not they have force of law;

“Leased Real Property” has the meaning given to it in Section 9.1.12;

“Lenders’ Payment Branch” means the branch of the Lender located at 1 First Canadian Place, Toronto, Ontario, M5X 1A1 (or such other branch of the Lender located in Canada as the Borrower and the Lender may agree upon);

“Lender” means either the Canadian Lender or the U.S. Lender, as applicable, and their respective successors and assigns;

“Lender’s Counsel” means the firm of Borden Ladner Gervais LLP or such other firm of legal counsel as the Lender may from time to time designate;

“Letters of Credit” means, collectively, any standby letter of credit and any letter of guarantee, issued by the Lender pursuant to the Revolving Facility at the request, and for the account, of either of the Borrowers under this Agreement, and **“Letter of Credit”** or **“Letter of Guarantee”** means any one thereof;

“Letter of Credit Agreement” means, with respect to a Letter of Credit or Letter of Guarantee, the Lenders’ usual documentation relating to the issuance and administration of letters of credit or letters of guarantee (as the case may be), including the forms of application and reimbursement agreement (whether in a single or several documents, taken together) that the Lenders may employ in the ordinary course of business for their own account, with any modifications as may be agreed upon by the Lenders and the Borrowers;

“Letter of Credit and Reimbursement Agreement” means that certain letter of credit and reimbursement agreement dated as of the date hereof between the U.S. Lender and the U.S. Borrower, as same may be amended, restated, supplemented or otherwise modified from time to time;

“Letter of Credit Fee” has the meaning given to it in Section 6.1(j);

“Letter of Guarantee” has the meaning given to it in the definition of “Letter of Credit”;

“Mark to Market Amount” means, with respect to any Hedging Arrangement, on any day on which the Mark to Market Amount is calculated, the net amount of all amounts payable by the Borrowers with respect to that Hedge Arrangement, by making an estimate at mid-market of the calculations required by Section 6(e)(ii)(2)(A) of the ISDA Master Agreement, as if the ISDA Master Agreement and that Hedge Arrangement were being terminated as a result of a Termination Event (as defined in the ISDA Master Agreement), with two Affected Parties on that day of calculation. For purposes of this definition, capitalized terms used in this definition and not otherwise defined in this Agreement shall have the meaning given to them in the ISDA Master Agreement applicable to such Hedging Arrangement;

“Material Adverse Effect” means:

- (a) a material adverse effect on the Business or the operations, properties, assets, or financial condition of the Obligors taken as a whole;
- (b) an adverse effect on the legality, validity or enforceability of any of the Credit Documents which could reasonably be considered material having regard to the Credit Documents considered as a whole, including the validity, enforceability, perfection or priority of any Encumbrance created or intended to be created under any of the Security which could reasonably be considered material having regard to the Security considered as a whole;
- (c) an adverse effect on the right, entitlement or ability of any Obligor to pay or perform any of its Obligations under any of the Credit Documents which could reasonably be considered material having regard to the Obligors as a whole; or
- (d) an adverse effect on the right, entitlement or ability of the Lender to enforce any of the Obligations of the Obligors which could reasonably be considered material having regard to the Obligors, or any one of them, or to exercise or enforce any of its rights, entitlements, benefits or remedies under the Credit Documents;

“Material Contract” means, collectively, any agreement or contract entered into by any of the Obligor the breach, non-performance or cancellation of which or the failure of which to renew would reasonably be expected to have a Material Adverse Effect (and for greater certainty, the contracts listed in Part II of Schedule 15, if any, are deemed to be so designated);

“Material Licence” means any licence, franchise, permit or approval issued by any Governmental Authority to any Obligor or which such Obligor is required to hold, and where at any time on or after the date of this Agreement:

- (a) the failure by any Obligor to hold or the breach, default or revocation of any such licence franchise, permit or approval issued to any Obligor would result in a Material Adverse Effect, or
- (b) such licence, franchise, permit or approval is designated by the Lender, acting reasonably, as a Material Licence, provided notice of such designation is delivered to the Borrower by the Lender (and, for greater certainty, the licences listed in Part I of Schedule 15, if any, are deemed to be so designated);

“Material Subsidiary” means each Subsidiary (a) the total assets of which at the end of the most recently ended fiscal period of the Obligor for which financial statements have been delivered have a book value equal to or greater than 5% of the book value of the consolidated total assets of the Obligor as at the end of such fiscal period, as determined in accordance with GAAP and as shown on its consolidated financial statements for such fiscal period; or (b) whose gross revenues at the end of the most recently ended fiscal period of the Obligor for which financial statements have been delivered are equal to or greater than 5% of the consolidated gross revenues of the Obligor for the same period, as shown on its consolidated financial statements for such fiscal period;

“Maturity Date” means February 1, 2019;

“Moody’s” means Moody’s Investors Service, Inc. or any successor thereto;

“Multiemployer Plan” means an employee benefit plan defined in Section 4001(a)(3) of ERISA which is, or within the immediately preceding six (6) years was, contributed to by the U.S. Borrower or an ERISA Affiliate;

“Net Income” means, for any period, with respect to any Person, the net revenue of that Person, on a consolidated basis, for such period, less all expenses and other charges not otherwise deducted in computing such net revenue for such period, all as determined in accordance with GAAP;

“Net Proceeds” means, with respect to any Disposition, the aggregate fair market value of proceeds of that Disposition (whether such proceeds are in the form of cash or other Property or part cash and part other Property) net of reasonable, bona fide direct transaction costs and expenses (including Taxes) incurred in connection with that Disposition;

“Non-Arm’s Length” and similar phrases have the meaning attributed thereto for the purposes of the ITA; and **“Arm’s Length”** shall have the opposite meaning;

“Notice of Request for Advance” and **“Notice of Request for Conversion”** means a notice substantially in the form of the notice attached to Schedule 3 to be given to the Lender by the Borrower in connection with a Conversion or Advance pursuant to Section 2.4;

“OBCA” means the *Business Corporations Act* (Ontario);

“Obligations” means, with respect to an Obligor, all of the present and future indebtedness, liabilities and obligations of any and every kind, nature or description whatsoever (whether direct or indirect, joint or several or joint and several, absolute or contingent, matured or unmatured, in any currency and whether as principal debtor, guarantor, surety or otherwise, including without limitation any interest that accrues thereon or would accrue thereon but for the commencement of any case, proceeding or other action, whether voluntary or involuntary, relating to the bankruptcy, insolvency or reorganization whether or not allowed or allowable as a claim in any such case, proceeding or other action) of such Obligor to each of the Lenders in connection with, relating to or with respect to each of the Credit Documents and any cash management or other service agreements between any Obligor and each of the Lenders, including, without duplication, and any unpaid balance in respect of any of the foregoing;

“Obligors” means, collectively, the Borrowers together with each of the Guarantors and their respective successors and assigns and **“Obligor”** means any one of them;

“OFAC” means the United States Department of Treasury Office of Foreign Assets Control;

“OFAC Event” means the event specified in Section 10.1.21;

“OFAC Sanctions Programs” means all laws, regulations and executive orders administered by OFAC, including without limitation, the *Bank Secrecy Act*, anti-money laundering laws (including, without limitation, the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act* of 2001, Pub. L. 107-56 (a/k/a the *USA Patriot Act*)), and all economic and trade sanction programs administered by OFAC, any and all similar United States federal laws, regulations or executive orders, and any similar laws, regulators or orders adopted by any State within the United States;

“OFAC SDN List” means the list of the Specially Designated Nationals and Blocked Persons maintained by OFAC;

“Organizational Documents” means, with respect to any Person, that Person’s articles or other charter documents, by-laws, unanimous shareholder agreement, partnership agreement, joint venture agreement, operating agreement or trust agreement, as applicable, and any and all other similar agreements, documents and instruments relative to that Person;

“Original Credit Agreement” is defined in the Recitals.

“Parties” means the Borrowers, the Guarantors, the Lender, and any other Person, that may become a party to this Agreement;

“PBGC” shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any Person succeeding to any or all of its functions and duties under ERISA;

“Pending Event of Default” means an event which, but for the requirement for the giving of notice, lapse of time, or both, or but for the satisfaction of any other condition subsequent to that event, would constitute an Event of Default;

“Pension Plan” means a (a) “pension plan” or “plan” which is subject to the funding requirements of the *Pension Benefits Act* (Ontario), the ITA, or applicable pension benefits legislation in any other Canadian jurisdiction which is applicable to an Obligor’s employees resident in Canada; and (b) any “employee pension benefit plan” within the meaning of Section 3(2) of ERISA (other than a Multiemployer Plan) covered by Title IV of ERISA by reason of Section 4021 of ERISA, of which the U.S. Borrower or any ERISA Affiliate is or has been within the preceding five (5) years a “contributing sponsor” within the meaning of Section 4001(a)(13) of ERISA, or which is or has been within the preceding five (5) years maintained for employees of the U.S. Borrower or any ERISA Affiliate;

“Permitted Capital Expenditures” means Capital Expenditures of the Consolidated Group, determined on a consolidated basis, not exceeding (i) \$250,000 in the 2015 Fiscal Year of the Borrowers, (ii) \$400,000 in each of the 2016 and 2017 Fiscal Years of the Borrowers; (iii) \$190,000 for the 2018 Fiscal Year, (iv) \$103,000 for the period from January 2018 up to and including June 2019, and (v) as consented to in writing by the Lenders for 2019 Fiscal Year and each other Fiscal Year of the Borrowers thereafter;

“Permitted Debt” means:

- (a) Debt under the Credit Documents;
- (b) Debt in respect of Purchase Money Security Interests granted by the Borrower and under Capital Leases entered into by the Borrower in an amount not to exceed at any time \$50,000 in the aggregate;
- (c) Debt owing by one Obligor to another Obligor;
- (d) the Vendor Subordinated Debt;
- (e) Debt owing by the US Borrower under the SJ Capital Notes; and
- (f) Debt consented to in writing by the Lender.

“Permitted Distributions” means payment of:

- (a) any Distribution by any Obligor to any other Obligor excluding, for greater certainty, any Distribution by the U.S. Borrower to its equity holders;
- (b) only following delivery to the Lenders by the Borrowers (in addition to all reporting requirements pursuant to Section 10.2) a Compliance Certificate for the most recent fiscal year end of the Obligors confirming that the Obligor is in compliance with all conditions of the Credit Facilities, that there has been no Event of Default (other than the Existing Defaults) and that the making of such distribution will not result in any Event of Default, any Distribution by the U.S. Borrower to its equityholders as may be required from time to time in such amounts as may be necessary for such equityholders to pay income Tax (including, to the extent applicable, any Tax on capital gains or other non-income items in respect of which such equityholders are responsible to pay Tax) on the earnings of the U.S. Borrower, provided that the Lenders shall have received, in form and substance satisfactory to the Lenders, evidence of the payment of such Tax by the equityholders (as applicable); and
- (c) any Distribution consented to in writing by the Lender.

“Permitted Encumbrances” means, with respect to any Person:

- (a) liens for taxes, rates, assessments or other governmental charges or levies not yet due (other than any lien imposed under ERISA), or for which instalments have been paid based on reasonable estimates pending final assessments, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person;
- (b) undetermined or inchoate liens, rights of distress, and charges incidental to current operations which have not at such time been filed or exercised and of which the Lender has not been given notice, or which relate to obligations not due or payable, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person;
- (c) reservations, limitations, provisos and conditions expressed in any original grants from the Crown or other grants of real or immovable property, or interests therein, which do not materially affect (i) the use of the affected land for the purpose for which it is used by that Person or (ii) the market value of such real or immovable property;
- (d) licences, easements, rights-of-way and rights in the nature of easements (including, without limitation, licences, easements, rights-of-way and rights in the nature of easements for railways, sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraph conduits, poles, wires and cables) which do not materially impair (i) the use of the affected land for the purpose for which it is used by that Person or (ii) the market value of such real or immovable property;
- (e) title defects, or irregularities or other matters relating to title which are of a minor nature and which in the aggregate do not materially affect (i) the use of the affected

land for the purpose for which it is used by that Person or (ii) the market value of such real or immovable property;

- (f) the right reserved to, or vested in, any Governmental Authority under the terms of any lease, licence, franchise, grant or permit acquired by that Person, or under any statutory provision, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance of such right;
- (g) carrier's, warehousemen's, mechanics', materialmen's, repairmen's, construction and other like Encumbrances (other than any lien imposed under ERISA) arising by operation of applicable Law in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings and, during such period during which such Encumbrances are being so contested, such Encumbrances shall not be executed on or enforced against any of the assets of any Obligor;
- (h) Encumbrances resulting from the deposit of cash or securities in connection with contracts, tenders or expropriation proceedings, or to secure workmen's compensation, unemployment insurance, surety or appeal bonds, or costs of litigation when required by law, not to exceed \$50,000 in aggregate outstanding at any time, liens and claims incidental to current construction, mechanics', warehousemen's, carriers' and other similar liens, and public, statutory and other like obligations incurred in the ordinary course of business;
- (i) security given to a public utility or any Governmental Authority when required by that utility or Governmental Authority in connection with the operations of that Person in the ordinary course of its business;
- (j) an Encumbrance created by a judgment of a court of competent jurisdiction, as long as that judgment is being contested diligently and in good faith by appropriate proceedings by that Person, and does not result in an Event of Default;
- (k) the Security;
- (l) Purchase Money Security Interests that secure Permitted Debt;
- (m) Capital Leases that secure Permitted Debt;
- (n) such other Encumbrances as agreed to in writing by the Lender;

"Person" is to be broadly interpreted and includes an individual, a corporation, a limited liability company, an unlimited liability company, a partnership, a limited partnership, a trust, an incorporated organization, a joint venture, the government of a country or any political subdivision of a country, or an agency or department of any such government, any other Governmental Authority and the executors, administrators or other legal representatives of an individual in such capacity;

“Plan” means any employee benefit plan within the meaning of Section 3(3) of ERISA (other than a Multiemployer Plan) of which the U.S. Borrower or any ERISA Affiliate are, or within the preceding five (5) years were, an “employer” as that term is defined in Section 3(5) of ERISA;

“Prime Rate” means a fluctuating rate of interest per annum, expressed on the basis of a year of 365 or 366 days, as applicable, which is equal at all times to the reference rate of interest (however designated) of the Lender for determining interest chargeable by it on Canadian Dollar commercial loans made in Canada;

“Prime Rate Advance” means an Advance made by a Lender to a Borrower with respect to which the Borrowers have specified that interest is to be calculated by reference to the Prime Rate;

“Prime Rate Margin” means the applicable percentage rate per annum expressed in basis points indicated below the reference to “Prime Rate / Base Rate / U.S. Prime Rate Advance” in the pricing grid provided for in the definition of Applicable Margin;

“Prior Claim” means any claim which, by the effect of law, entitles its beneficiary to be paid in priority to the obligations secured by the Security Documents, whether resulting from conventional security or from a prior claim, trust or any other mechanism or right benefiting the holder of such claim, including, without limitation, on any date any such claim in respect of inventory delivered to any Obligor within the 30-day period prior to such date;

“Priority Payables” means, at any time, any amount due and payable at that time by the Obligor in question which is secured by an Encumbrance, or a statutory trust, right or other claim in favour of a Governmental Authority which ranks, or is capable of ranking, prior to or *pari passu* with the Encumbrances created by the Security in respect of any Account Receivable including, without limitation and to the extent applicable based on the foregoing, amounts due and payable for wages, vacation pay, termination and severance pay, employee deductions (including income, withholding, social security and other employment Taxes), sales tax, excise tax, tax payable pursuant to Part IX of the *Excise Tax Act* (Canada) (net of GST input credits), workplace safety and insurance, municipal taxes, government royalties, pension fund obligations, overdue rents or taxes, and other statutory or other claims that have or may rank *pari passu* with or have priority over such Encumbrances created by the Security;

“Property” means, with respect to any Person, all or any portion of that Person’s undertaking, property and assets, both real and personal, including, for greater certainty, any share in the capital of a corporation or ownership interest in any other Person;

“Purchase Money Security Interest” means an Encumbrance created by any Obligor securing Debt incurred to finance the acquisition of personal property, provided that:

- (a) it is created substantially simultaneously with the acquisition of such fixed assets;

- (b) it does not at any time encumber any Property other than the Property financed by such Debt and proceeds thereof;
- (c) the amount of Debt secured by it is not increased subsequent to that acquisition; and
- (d) the principal amount of Debt secured by it at no time exceeds 100% of the original purchase price of that Property at the time it was acquired, and for the purposes of this definition the term "acquisition" shall include a Capital Lease, and the term "acquire" shall have a corresponding meaning;

"Qualifying Hedge Arrangement" means any Hedge Arrangement entered into by either Borrower after the date of this Agreement with:

- (a) either of the Lenders; or
- (b) an Affiliate of either of the Lenders;

by way of an ISDA Master Agreement in form and substance satisfactory to the Lenders, such ISDA Master Agreement to include, without limitation, standard "market-out" and "cease-to-be lender" clauses in favour of the Lenders;

"Reconciliation Payment" means the payment in an amount equal to the sum owing by the Obligors to the Vendors pursuant to the Target Purchase Agreements on account of the Final Closing Cash Purchase Price (as such term is defined in the Target Purchase Agreements) minus the amount of each Closing Payment (as such term is defined in the Target Purchase Agreements);

"Relevant Jurisdiction" means, from time to time, with respect to any Person that is granting Security under this Agreement, any province or territory of Canada, any state of the United States or any other country, political subdivision thereof, in which that Person has its chief executive office or chief place of business or, in respect of Canadian jurisdictions only, has Property and, for greater certainty, includes the provinces and states set out in Schedule 13;

"Repayment Notice" means the notice substantially in the form attached as Schedule 4;

"Reportable Event" shall have the meaning given to such term in Section 4043 of ERISA or regulations promulgated thereunder.

"Requirements of Environmental Law" means all Applicable Laws in any jurisdiction in which any Obligor has operations or assets, which relate to environmental or occupational health and safety matters relevant to the assets and undertaking of any Obligor and the intended uses thereof, including, without limitation, all Law relating to:

- (a) the protection, preservation or remediation of the natural environment (the air, land, surface water or groundwater);

- (b) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation;
- (c) consumer, occupational or public safety and health; and
- (d) Hazardous Substances;

“Requirements of Law” means, in respect of any Person, the Organizational Documents of such Person and any Applicable Law, in each case applicable to or binding upon such Person or any of its business or Property or to which such Person or any of its business or Property is subject;

“Security” means all security held from time to time by or on behalf of the Lenders securing or intended to secure directly or indirectly repayment of the Obligations and includes all security described in Article 11;

“Senior Officer” means, in respect of any Person, the chairperson, the chief executive officer, the chief operating officer, the chief financial officer, the president, or any senior vice-president of such Person or any person holding a similar office;

“Senior Funded Debt” at any time means, with respect to the Consolidated Group, indebtedness for borrowed money under the Credit Facilities plus any Debt that is not subordinated in right to payment to the Obligations plus any negative hedging risk incurred pursuant to the Risk Management Obligations;

“Single Employer Plan” shall mean any Plan which is not a Multiemployer Plan under Title IV of ERISA;

“SJ Capital Notes” means, collectively, the US\$600,000 promissory note and the US\$400,000 promissory note owing by the U.S. Borrower to SJ Capital Partners V, LLC.

“Standby Fee” has the meaning given to it in Section 5.4;

“Subordinated Debt” in respect of any Obligor to any Person means any indebtedness of such Obligor to any Person (other than another Obligor) for borrowed money, in respect of which the holder thereof has entered into a subordination agreement in form and substance satisfactory to the Lenders, registered in all places where necessary or desirable to protect the priority of the Security, which shall provide (among other things) that: (i) the holder of such indebtedness may not receive any payments on account of principal or interest thereon (except to the extent, if any, expressly permitted therein); (ii) any Liens held in respect of such indebtedness are postponed to the Security; and (iii) the holder of such indebtedness may not take any enforcement action in respect of such indebtedness or Liens without the prior written consent of the Lenders (except to the extent, if any, expressly permitted therein);

“Subsidiary” means, with respect to a corporation, a subsidiary as defined in the OBCA as in effect on the date hereof, and any partnership, joint venture or other organization which is Controlled by such corporation or any Subsidiary of such corporation;

“Target Acquisition” means the acquisition by the Borrowers of all of the non-real estate assets of the Vendors pursuant to the Target Purchase Agreements;

“Target Purchase Agreements” means, collectively, (i) the Canadian Asset Purchase Agreement dated May 29th, 2015 between the Borrower, the Canadian Vendor, Gerald Seetner and Anne-Marie Seetner; and (ii) the Hong Kong Asset Purchase Agreement between the U.S. Borrower, Best Made Toys Global Enterprises Limited, the Hong Kong Seller in respect of the sale to the Borrowers of all of the non-real estate assets of each of the Vendors and their non-purely real estate subsidiaries, as such agreements may have been or may hereafter be amended, restated or replaced from time to time;

“Tax” or “Taxes” means all taxes, charges, fees, levies, imposts and other assessments, including all income, sales, use, goods and services, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property and personal property taxes, and any other taxes, customs duties, fees, assessments, royalties, duties, deductions, compulsory loans or similar charges in the nature of a tax, including Canada Pension Plan and provincial pension plan contributions, employment insurance payments and workers compensation premiums, together with any instalments, and any interest, fines and penalties, imposed by any Governmental Authority, whether disputed or not, and notwithstanding the foregoing, shall not include any Excluded Taxes;

“Termination Event” shall mean (i) any Reportable Event with respect to any Benefit Plan described in Section 4043 of ERISA and the regulations issued thereunder for which the notice requirements have not been waived by the PBGC, (ii) the withdrawal of the U.S. Borrower or an ERISA Affiliate from a Benefit Plan during a plan year in which it was a “substantial employer” as defined in Section 4001 (a)(2) of ERISA, (iii) the occurrence of an obligation arising under Section 4041 of ERISA of either the U.S. Borrower or an ERISA Affiliate to provide affected parties with a written notice of an intent to terminate a Benefit Plan in a distress termination described in Section 4041 (c) of ERISA, (iv) the institution by the PBGC of proceedings to terminate any Benefit Plan, (v) any event or condition which constitutes grounds under Section 4042 of ERISA for the appointment of a trustee to administer a Benefit Plan, or (vi) the partial or complete withdrawal of the U.S. Borrower or any ERISA Affiliate from a Multiemployer Plan;

“Total Debt” at any time and with respect to the Consolidated Group means the sum of Senior Funded Debt and all other Debt at such time (without duplication);

“Total Senior Funded Debt to EBITDA Ratio” means, at any time and with respect to the Consolidated Group, the ratio of Senior Funded Debt at such time (net of cash held in accounts held with the Lenders up to a maximum of \$2,000,000) over EBITDA for the most recently-ended Four Quarter Period, calculated in accordance with the provisions of Section 10.2;

“Total Interest Expense” of a Person means, for any period and on a consolidated basis, without duplication, the aggregate amount of interest and other financing charges expensed by such Person, on account of such period with respect to Debt including interest, discount

and financing fees, commissions, discounts, the interest or time value of money component of costs related to factoring, securitizing or insuring receivables or monetizing inventory and other fees and charges payable with respect to letters of credit, letters of guarantee and bankers' acceptance financing, standby fees, the interest component of Capital Leases and net payments (if any) pursuant to Hedge Arrangements involving interest, all as determined in accordance with GAAP;

"U.S. Dollars" and **"U.S.\$"** means the lawful currency of the United States of America in same day immediately available funds or if such funds are not available, the form of money of the United States of America that is customarily used in the settlement of international banking transactions on the day any payment is due to be made hereunder;

"U.S. Prime Rate" means a fluctuating rate of interest per annum, expressed on the basis of a year of 360 days which is at all times equal to the reference rate of interest of the U.S. Lender for determining interest chargeable by it on U.S. Dollar commercial loans made by such Lender in the United States of America;

"U.S. Prime Rate Advance" means an Advance made by a Lender to a Borrower with respect to which the Borrower has requested that interest is to be calculated by reference to the U.S. Prime Rate;

"U.S. Prime Rate Margin" means the applicable percentage rate per annum expressed in basis points indicated below the reference to "Prime Rate / Base Rate / U.S. Prime Rate Advances" in the pricing grid provided for the definition of Applicable Margin;

"Unfunded Capital Expenditures" means all Capital Expenditures made in the applicable period which are not funded by Purchase Money Security Interests or Capital Leases;

"Vendor Subordinated Debt" means the Contingent Purchase Price (as defined in each of the Target Purchase Agreements);

"Vendors" means, collectively, the Canadian Vendor and the Hong Kong Vendor; and

"Welfare Plan" means any medical, health, hospitalization, disability, bonus, deferred compensation, share purchase, supplemental pension or retirement plan, insurance or other employee benefit or welfare plan, agreement or arrangement applicable to employees of an Obligor.

1.2 Headings

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 construction or interpretation of this Agreement. The term **"this Agreement"** refers to this Agreement in its entirety and not to any particular Article, Section or other portion of this Agreement and includes any agreement supplemental to this Agreement. Unless otherwise indicated, references in this Agreement to Articles and Sections are to Articles and Sections of this Agreement.

1.3 Number

Words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa.

1.4 Accounting Principles

Where the character or amount of any asset or liability, or item of revenue or expense, is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any Credit Document, that determination or calculation shall, to the extent applicable and except as otherwise specified in this Agreement or as otherwise agreed in writing by the Parties, be made in accordance with GAAP.

1.5 Accounting Practices

All calculations for the purpose of determining compliance with the financial ratios and financial covenants contained in this Agreement shall be made on a basis consistent with GAAP in existence as at the date of this Agreement. In the event of a change in GAAP, the Borrowers and the Lenders shall negotiate in good faith to revise (if appropriate) those ratios and covenants to reflect GAAP as then in effect, in which case all subsequent calculations made for the purpose of determining compliance with those ratios and covenants shall be made on a basis consistent with GAAP in existence as at the date of those revisions.

1.6 Determinations by Obligors

All provisions contained herein or under any other Credit Document requiring any Obligor to make a determination or assessment of any event or circumstance or other matter to the best of its knowledge shall be deemed to require such Obligor to make all inquiries and investigations as may be reasonably necessary or prudent in the circumstances before making any such determination or assessment.

1.7 Permitted Encumbrances

The inclusion of reference to Permitted Encumbrances in any Credit Document is not intended to subordinate, and shall not subordinate, any Encumbrance created by any of the Security to any Permitted Encumbrance.

1.8 Currency

Unless otherwise specified in this Agreement, all references to dollar amounts (without further description) shall mean Canadian Dollars and all payments shall be made in Canadian Dollars or the Equivalent Amount in U.S. Dollars.

1.9 Conflicts

In the event of a conflict in or between the provisions of this Agreement or any of the other Credit Documents then, notwithstanding anything contained in such Credit Document, the provisions of this Agreement will prevail and the provisions of other Credit Document will be

deemed to be amended to the extent necessary to eliminate such conflict. Subject to the foregoing, (i) if any act or omission of an Obligor is expressly permitted under this Agreement but is expressly prohibited under any Credit Document, such act or omission shall be permitted; and (ii) if any act or omission is expressly prohibited under any Credit Document (other than this Agreement), but this Agreement does not expressly permit such act or omission, or if any act is expressly required to be performed under such Credit Document but this Agreement does not expressly relieve the applicable Obligor from such performance, such circumstance shall not constitute a conflict in or between the provisions of this Agreement and the provisions of such Credit Document.

1.10 Non-Business Days

Unless otherwise expressly provided in this Agreement, whenever any payment is stated to be due on a day other than a Business Day, the payment will be made on the immediately preceding Business Day. In the case of interest or fees payable pursuant to the terms of this Agreement, the extension or contraction of time will be considered in determining the amount of interest and fees. Unless otherwise expressly provided in this Agreement, whenever any action to be taken is stated or scheduled to be required to be taken on, or (except with respect to the calculation of interest or fees) any period of time is stated or scheduled to commence or terminate on, a day other than a Business Day, the action will be taken or the period of time will commence or terminate, as the case may be, on the immediately preceding Business Day.

1.11 Statutory References

Any reference in this Agreement to any Law, or to any section of or any definition in any Law, shall be deemed to be a reference to such Law or section or definition as amended, supplemented, substituted, replaced or re-enacted from time to time.

1.12 Schedules

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

Schedule 1	Borrowing Base Certificate
Schedule 2	Compliance Certificate
Schedule 3	Notice of Request for Advance
Schedule 4	Repayment Notice
Schedule 5	Taxes
Schedule 6	Absence of Litigation
Schedule 7	Debt and Non-Arm's Length Transactions
Schedule 8	Description of Owned Real Property and Leased Real Property
Schedule 9	Insurance Policies
Schedule 10	Employee Disputes
Schedule 11	Labour Disputes
Schedule 12	Corporate Structure
Schedule 13	Relevant Jurisdictions
Schedule 14	Intellectual Property Rights
Schedule 15	Material Licences and Material Contracts

Schedule 16	Exceptions to GAAP
Schedule 17	Pension Plan Disclosure
Schedule 18	Bank Accounts

ARTICLE 2 - THE CREDIT FACILITIES

2.1 Credit Facilities

Subject to the terms and conditions of this Agreement:

2.1.1 Facility 1 Revolver

The Lenders agree to maintain in favour of the Borrowers a revolving demand credit facility ("**Facility 1 Revolver**") in a maximum principal amount not to exceed the lesser of:

- (a) Ten Million (\$10,000,000) U.S. Dollars (or the Equivalent Amount thereof in Canadian Dollars); and
- (b) the Borrowing Base.

Subject to the terms and conditions of this Agreement, the Borrowers may (up to the maximum amount available under this Section 2.1.1) increase or decrease Advances under Facility 1 Revolver by making Drawdowns, repayments and further Drawdowns and Conversions.

2.1.2 Facility 2

The U.S. Lender agrees to maintain in favour of the Borrowers a non-revolving demand credit facility ("**Facility 2**") in a maximum principal amount of Six Million and Ninety Seven Thousand Eight Hundred and Seventy Five (U.S. \$6,097,875) U.S. Dollars (or the Equivalent Amount thereof in Canadian Dollars). Facility 2 has been fully advanced under the Original Credit Agreement and no repayment of Advances under Facility 2 may be re-borrowed.

2.1.3 Facility 3

The U.S. Lender agrees to maintain in favour of the Borrowers a non-revolving demand credit facility ("**Facility 3**") in a maximum principal amount of Two Million Five Hundred and Fifteen Thousand Seven Hundred and Fifty (U.S. \$2,515,750) U.S. Dollars (or the Equivalent Amount thereof in Canadian Dollars). For certainty, Facility 3 has been fully advanced under the Original Credit Agreement and no repayment of Advances under Facility 3 may be re-borrowed.

2.1.4 Facility 4 Revolver

The Lenders agree to establish in favour of the Borrowers a revolving credit facility ("**Facility 4 Revolver**") in a maximum principal amount of Ten Million (U.S.\$10,000,000) U.S. Dollars (or the Equivalent Amount thereof in Canadian Dollars). Subject to the terms and conditions of this Agreement, the Borrowers may (up to the maximum amount available under this

Section 2.1.4) increase or decrease Advances under Facility 4 Revolver by making Drawdowns, repayments and further Drawdowns and Conversions

2.1.5 **Facility 5**

The Canadian Lender agrees to establish in favour of the Borrowers a non-revolving credit facility ("**Facility 5**") in a maximum principal amount of Two Hundred and Eighty Thousand (\$280,000) Canadian Dollars. For certainty, no repayment of Advances under Facility 5 may be re-borrowed.

2.2 Purpose of Credit Facilities

Advances under the Credit Facilities shall only be used for the following purposes:

2.2.1 **Facility 1 Revolver**

Subject to the terms and conditions of this Agreement, Facility 1 Revolver may be used by the Borrowers to finance (i) general working capital and general corporate requirements; (ii) payment of out-of-pocket expenses of the board of the U.S. Borrower (up to U.S.\$10,000); (iii) payment into the Escrow Account an amount sufficient to satisfy vacation pay owing by the Obligors (or any of them) to their respective employees (up to U.S.\$61,000); and (iv) payment of professional fees for Borrower's Counsel not financed by Facility 5.

2.2.2 **Facility 2**

Subject to the terms and conditions of the Original Credit Agreement, Facility 2 was used by the Borrowers to assist the Borrowers in paying amounts required to be paid by the Borrowers to complete the Target Acquisition.

2.2.3 **Facility 3**

Subject to the terms and conditions of the Original Credit Agreement, Facility 3 was used by the Borrowers to replenish amounts used by the Borrowers from their working capital to make fund the Reconciliation Payment in February 2016.

2.2.4 **Facility 4 Revolver**

Subject to the terms and conditions of this Agreement, Facility 4 Revolver may be used by the Borrowers to finance payment of Eligible Pre-Shipment Costs for Eligible Customer Contracts.

2.2.5 **Facility 5**

Subject to the terms and conditions of this Agreement, Facility 5 may be used by the Borrowers to finance payment of outstanding balances on Diners Club Cards and payment of professional fees approved by the Lenders in their sole discretion.

2.3 Manner of Borrowing

2.3.1 Facility 1 Revolver

The Borrowers may receive Advances under Facility 1 Revolver by way of the following Availment Options (or any combination thereof):

- (a) Prime Rate Advances in Canadian Dollars (Canadian Borrower only);
- (b) Base Rate Advances in U.S. Dollars (Canadian Borrower only);
- (c) U.S. Prime Rate Advances in U.S. Dollars (U.S. Borrower only); and
- (d) Letters of Credit for purposes other than guaranteeing obligations of third parties, provided that each Letter of Credit shall mature within 364 days from the date of issuance and the maximum principal amount of all Letters of Credit outstanding at any time may not exceed U.S. \$2,000,000 or the Canadian Dollar Equivalent Amount thereof in the aggregate (Canadian Borrower only).

2.3.2 Facility 2, Facility 3 and Facility 4 Revolver

- (a) The Borrowers may receive Advances under Facility 2, Facility 3 and Facility 4 Revolver by way of the following Availment Options (or any combination thereof):
 - (i) Prime Rate Advances in Canadian Dollars (Canadian Borrower only);
 - (ii) Base Rate Advances in U.S. Dollars (Canadian Borrower only); and
 - (iii) U.S. Prime Rate Advances in U.S. Dollars (U.S. Borrower only).
- (b) Notwithstanding Section 2.3.2(a), Facility 2 and Facility 3 have been fully advanced under the Original Credit Agreement, no additional Advances may be requested under Facility 2 or Facility 3 and no repayment of Advances under Facility 2 or Facility 3 may be re-borrowed.
- (c) Each Advance under Facility 4 Revolver shall be in a minimum amount of \$250,000.

2.3.3 Facility 5

The Canadian Borrower may receive Advances under Facility 5 by way of Prime Rate Advances in Canadian Dollars.

2.4 Drawdowns and Conversions

- (a) Subject to the terms and conditions of this Agreement, the Borrowers may:
 - (i) make Drawdowns by giving the Lenders a Notice of Request for Advance;
 - or

- (ii) convert the whole or any part of any type of Advance into any other type of Advance by giving the Lenders a Notice of Request for a Conversion.
- (b) The Borrowers shall give the Lender a Notice of Request for Advance in respect of a Drawdown or a Conversion, as the case may be, of one (1) Business Day prior to the proposed Drawdown Date or Conversion Date; provided, with respect to any proposed Drawdown by way of Letter of Credit, the Lenders shall have the right to notify the Borrowers to the extent that it requires additional time to sufficiently review the proposed form of Letter of Credit, in which case the Lender, if the Borrowers are otherwise entitled to an Advance by way of Letter of Credit, shall issue the Letter of Credit as soon as it is satisfied in its sole discretion, with the form of the Letter of Credit to be issued but in no event later than five (5) Business Days from the date of delivery of a Notice of Request for Advance.
- (c) Each Notice of Request for Advance in respect of a Drawdown or Conversion, as the case may be, shall be delivered by the Borrowers to the Lender on a Business Day on or prior to 11:00 a.m. (Toronto time).

2.5 Irrevocability

A Notice of Request for Advance given by the Borrowers in respect of a Drawdown or Conversion, as the case may be, shall be irrevocable and shall oblige the Borrowers to take the action contemplated on the date specified in that Notice.

2.6 Nature of the Credit Facilities

Each of the Borrowers confirms, acknowledges and agrees that the Credit Facilities constitute a joint and several obligation of each of the Borrowers and any reference in this Agreement to an obligation on the part of the Borrowers to pay any amount to either Lender whether an account of principal, interest or otherwise, shall be deemed to be a joint and several obligation of each of the Borrowers.

ARTICLE 3 – CONDITIONS PRECEDENT

3.1 Conditions Precedent to Effectiveness of this Agreement

The obligation of the Lenders to establish and/or maintain the Credit Facilities under this Agreement is subject to, and conditional upon, (save only as otherwise agreed in writing by the Lenders) all of the following conditions precedent being satisfied on or before the date of this Agreement:

- (a) receipt by the Lenders of duly executed copies of each of the Credit Documents;
- (b) receipt by the Lenders of certified true copies of the Organizational Documents of each Obligor, the resolutions authorizing the execution, delivery and performance of each Obligor's respective obligations under the Credit Documents and the transactions contemplated in this Agreement, as well as certificates of the

incumbency of the officers or directors of the Obligors, and any other documents to be provided under the terms and conditions of this Agreement;

- (c) receipt by the Lenders of certificates of status or good standing, as applicable, for all Relevant Jurisdictions of each Obligor;
- (d) compliance by each Obligor in all material respects with all Material Licences and a receipt by the Lenders of copies of all Material Licences and Material Contracts of each of the Obligors each certified by a Senior Officer of the applicable Obligors to be true copies, and correct and in full force and effect;
- (e) receipt of executed copies, and approval by the Lenders as to content and form in its sole discretion, acting reasonably, of each of any relevant shareholder or voting trust agreement to which any of the Obligors are a party;
- (f) completion by the Lenders on or prior to such time of its due diligence review to be conducted in a manner customary for a transaction of this nature, the results of which are to be satisfactory to the Lenders in their sole and absolute discretion. Due diligence shall include a review of each of: existing operations, historical financial statements, quality of earnings, reasonableness of financial projections, environmental matters, tax matters, litigation, market and industry analysis, notes arising from customer meetings and interviews conducted by, or on behalf of, any Obligor, analysis of the receivables, payables and inventory (including the most recent aged listing of Accounts Receivable) for the Borrowers, evidence of compliance with all material Law and including access to any auditors, consultants or other professionals engaged by any of the Obligors and any reports produced thereby and all other documentation related to the transaction;
- (g) completion of the review by the Lenders of the capital and corporate structure of the Consolidated Group satisfactory to the Lenders in their sole discretion;
- (h) receipt by the Lenders of copies, if any, of all required shareholder, regulatory, governmental, and other approvals, necessary in connection with the execution and delivery of the Credit Documents and the consummation of the transactions contemplated by the Credit Documents, and delivery to the Lenders of complete copies of all such approvals;
- (i) the Lenders shall have received a *pro forma* Borrowing Base Certificate for the Consolidated Group, together with aged listing of accounts receivable, accounts payable and inventory;
- (j) the Borrowers shall have provided to the Lenders a Compliance Certificate confirming *inter alia* that the Borrowers are in compliance with the financial covenant set out in Section 10.2.3;
- (k) receipt by the Lenders of the monthly unaudited financial statements for the Borrowers pursuant to Section 10.2.5 for August 2018;

- (l) delivery to the Lenders of any releases, discharges, subordinations and postponements (in registerable form where appropriate) of all Encumbrances affecting the collateral encumbered or to be encumbered by the Security which are not Permitted Encumbrances including, without limitation, confirmations of any postponements and subordinations previously delivered to the Lenders by other creditors of the Borrowers;
- (m) delivery to the Lenders of such third party consents and intercreditor agreements as the Lenders may require in their sole discretion, each in form and substance satisfactory to the Lenders in their sole discretion;
- (n) delivery of copies of non-sheltering letters in form and substance satisfactory to the Lenders in their sole discretion from each secured party under Permitted Encumbrances (as designated by the Lenders in writing to the Borrowers);
- (o) the non-existence of any continuing Event of Default or Pending Event of Default, other than the Existing Defaults, and delivery to the Lenders of a certificate of a Senior Officer of the Borrowers certifying such non-existence;
- (p) the non-existence of any Material Adverse Effect from any change in circumstances affecting any Obligor since December 31, 2017;
- (q) delivery to the Lenders of currently-dated letters of opinion of Borrowers' Counsel in form and substance satisfactory to the Lender and the Lender's Counsel in their sole discretion;
- (r) receipt by the Lenders of all operation of account and other bank account documentation (including know-your-client information) required by the it;
- (s) delivery to the Lenders of any landlord consents and waivers required by the Lenders in respect of any of the Leased Real Property locations of the Borrowers;
- (t) payment in full of all amounts of fees and expenses required by the terms of this Agreement to be paid on or prior to the Closing Date;
- (u) delivery to the Lenders of executed copies of all other Credit Documents not specifically referenced in this Section 3.1
- (v) receipt by the Lenders of such additional evidence, documents or undertakings as the Lender shall reasonably request to establish the consummation of the transactions contemplated by this Agreement, and to satisfy the Lenders in their sole discretion, that all proceedings in connection with this Agreement are being taken in compliance with the conditions set out in this Agreement,
- (w) a report from Deloitte Restructuring Inc., in form and substance satisfactory to the Lenders, confirming the financial condition and viability of the Obligors;

- (x) payment of the out-of-pocket expenses of the board members of the U.S. Borrower (up to U.S.\$10,000);
- (y) establishment of the Escrow Account by the Obligors for vacation pay owing by the Obligors to their employees;
- (z) evidence that payment to the Yung Shen factory during the weeks of September 3, 2018 and September 10, 2018 do not exceed a total of U.S.\$1,000,000 and will yield accounts receivable of approximately U.S.\$1,100,000 to U.S.\$1,150,000;
- (aa) acceptance of the incentive plan by the CEO and other key employees of the Canadian Borrower with respect to incentive and monetary rewards for key employees of the Canadian Borrower;
- (bb) EDC shall have confirmed in writing to the Lenders that it consents to the execution and delivery of this Agreement, and confirms the EDC Guarantee remains in full force and effect;
- (cc) the Lenders and EDC shall have entered into an agreement relating to EDC's rights of subrogation under the EDC Guarantee, the priorities of the respective claims of the Lenders and EDC against the Obligors and the Security, and such other matters as the Lenders and EDC may require, in form and substance satisfactory to the Lenders;
- (dd) the Lenders shall have received such other documents and information as the Lenders may reasonably request.

provided that all documents delivered pursuant to this Section 3.1 shall be in full force and effect, and in form and substance satisfactory to the Lenders in their sole discretion.

3.2 Conditions Precedent to All Advances

The obligation of the Lenders to make any Advance to the Borrowers subsequent to the first Advance hereunder is subject to, and conditional upon, in addition to the conditions precedent set out in Section 3.1, the following conditions precedent being satisfied by the Borrowers in form and substance satisfactory to the Lenders in their sole discretion:

- (a) receipt by the Lenders of timely Notices of Request for Advance from the Borrowers as required under Section 2.4 and currently dated unqualified Compliance Certificate;
- (b) no Event of Default or Pending Event of Default has occurred and is continuing on the Drawdown Date, or would result from making the Advance, other than the Existing Defaults;
- (c) there shall be no reason to believe that the Borrowers will not be in compliance with all covenants contained in Section 10.2 at the end of the immediately

preceding month if they have not yet delivered their Compliance Certificate for that month;

- (d) the representations and warranties set out in Section 9.1, other than those expressly stated to be made as of a specific date or otherwise expressly modified in accordance with Section 9.2, are true and correct in all material respects on the date of the Advance as if made on and as of the date of the Advance;
- (e) the Lenders have not received notice under subsection 224(1.1) of the *Income Tax Act* (Canada) or any successor provision thereto or any comparable provision of any other taxing statute in respect of either of the Borrowers; and
- (f) such Advance will not violate any order, judgment or decree of any court or other Governmental Authority or any provision of Applicable Law relating to or affecting the Lenders.

3.3 Waiver

The conditions set forth in Sections 3.1 and 3.2 are inserted for the sole benefit of the Lenders and may be waived by the Lenders, in whole or in part (with or without terms or conditions) in respect of any Drawdown, without prejudicing the right of the Lenders at any time to assert such conditions in respect of any subsequent Drawdown. Notwithstanding the foregoing, the conditions set forth in Sections 3.1(x) and 3.1(y) are also inserted for the benefit of the Borrowers and may only be waived by the Lenders with the consent of the Borrowers.

ARTICLE 4 - EVIDENCE OF DRAWDOWNS

4.1 Accounts of Record

The Lenders shall open and maintain separate books of account evidencing all Advances and all other amounts owing by the Borrowers to the Lenders under this Agreement. The Lenders shall enter in the foregoing accounts details of all amounts from time to time owing, paid or repaid by the Borrowers under this Agreement. The information entered in the foregoing accounts shall constitute *prima facie* evidence of the obligations of the Borrowers to the Lenders under this Agreement with respect to all Advances and all other amounts owing by the Borrowers to the Lenders hereunder. After a request by the Borrowers, the Lenders shall promptly advise the Borrowers of such entries made in the Lenders' applicable books of account.

ARTICLE 5 - PAYMENTS OF INTEREST AND FEES

5.1 Interest on Advances

- (a) The Borrowers shall pay interest on the Credit Facilities:
 - (i) in Canadian Dollars on each Prime Rate Advance during each applicable Interest Period at a rate per annum equal to the sum of the Prime Rate in

effect from time to time during that Interest Period, plus the Applicable Margin;

- (ii) in U.S. Dollars on each Base Rate Advance during each applicable Interest Period at a rate per annum equal to the sum of the Base Rate in effect from time to time during that Interest Period, plus the Applicable Margin; and
 - (iii) in U.S. Dollars on each U.S. Prime Rate Advance during each applicable Interest Period at a rate per annum equal to the sum of the U.S. Prime Rate in effect from time to time during that Interest Period, plus the Applicable Margin; and
- (b) Each determination by the Lenders of the Prime Rate, the Base Rate, the U.S. Prime Rate and any Applicable Margin applicable from time to time during an Interest Period shall, in the absence of manifest error, be binding upon the Borrowers.
- (c) Interest on Prime Rate Advances, U.S. Prime Rate Advances and Base Rate Advances shall be payable in arrears on each Interest Payment Date. All interest shall accrue from day to day for the actual number of days elapsed for the period from and including the Drawdown Date or the preceding Conversion Date or Interest Payment Date, as the case may be, for the Advance, to and including the day preceding that Interest Payment Date, and shall be calculated on the outstanding daily principal amount of the Advance during that period. Interest calculated with reference to the Prime Rate shall be calculated monthly and on the basis of the actual number of days elapsed in a year of 365 days or 366 days, as the case may be. Interest calculated with reference to the U.S. Prime Rate and the Base Rate shall be calculated on the basis of the number of days in the applicable Interest Period and a year of 360 days. Changes in the Prime Rate, the U.S. Prime Rate, and the Base Rate shall cause an immediate adjustment of the interest rate applicable to an Advance without the necessity of any notice to either of the Borrowers.

5.2 General Interest Rules

- (a) All interest payments to be made under this Agreement shall be paid without allowance or deduction for deemed re-investment or otherwise, both before and after maturity and before and after default and/or judgment, if any, until payment, and interest shall accrue on overdue interest, if any, compounded on each Interest Payment Date.
- (b) Unless otherwise stated, wherever in this Agreement reference is made to a rate of interest or rate of fees "per annum" or a similar expression is used, such interest or fees will be calculated on the basis of a calendar year of 365 days or 366 days, as the case may be, and using the nominal rate method of calculation, and will not be calculated using the effective rate method of calculation or on any other basis that gives effect to the principle of deemed re-investment of interest. Interest at the Base Rate shall be calculated on the basis of a 360-day year for the actual days elapsed.

- (c) For the purposes of the *Interest Act* (Canada) and disclosure under such act, whenever interest to be paid under this Agreement is to be calculated on the basis of a year of 360, 365 or 366 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360, 365 or 366 or such other period of time, as the case may be.
- (d) In calculating interest or fees payable under this Agreement for any period, unless otherwise specifically stated, the first day of a period shall be included and the last day of a period shall be excluded.
- (e) Each of the Obligors confirms that it fully understands and is able to calculate the interest rate applicable to the Credit Facilities based on the methodology for calculating per annum rates provided for in this Agreement or the applicable Credit Document. The Lenders agree that, if requested in writing by any Obligor, it will calculate the nominal and effective per annum interest rate on any loan outstanding at the time of such request and provide such information to such Obligor promptly following such request; provided that any error in any such calculation, or any failure to provide such information on request, shall not relieve such Obligor or any other Obligor of any of its obligations under this Agreement or any other Credit Document, nor result in any liability to the Lenders. The Obligors hereby irrevocably agree not to plead or assert, whether by way of defense or otherwise, in any proceeding relating to the Credit Documents, that the interest payable under the Credit Documents and the calculation thereof has not been adequately disclosed to the Obligors, whether pursuant to section 4 of the *Interest Act* (Canada) or any other Applicable Laws.

5.3 Maximum Interest Rate

- (a) In the event that any provision of this Agreement or any other Credit Document would oblige any Obligor to make any payment of interest or any other payment which is construed by a court of competent jurisdiction to be interest in an amount or calculated at a rate which would be prohibited by Law or would result in a receipt by the subject Lender of interest at a criminal rate (as such term is construed under the *Criminal Code* (Canada)), then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted *nunc pro tunc* to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Law or so result in a receipt by the subject Lender of interest at a criminal rate, such adjustment to be effected, to the extent necessary as follows:
 - (i) firstly, by reducing the amount or rate of interest required to be paid under Section 5.1; and
 - (ii) thereafter, by reducing any fees, commissions, premiums and other amounts which would constitute interest for the purposes of Section 347 of the *Criminal Code* (Canada).

- (b) If any payment, collection or demand pursuant to this Agreement is determined to be contrary to Law, such payment, collection or demand shall be deemed to have been made by mutual mistake and such amount shall be refunded to the applicable Obligor or any Person on behalf of such Obligor.

5.4 Standby Fees

The Borrowers shall pay to the Lender a standby fee (the “**Standby Fee**”), calculated at the Applicable Margin, on the amount by which the aggregate of all Advances outstanding under Facility 1 Revolver is less than the maximum amount available under Facility 1 Revolver (calculated in accordance with Section 2.1.1). The Standby Fee shall be calculated on a daily basis from and including the Closing Date based upon a calendar year of 365 or 366 days, as the case may be, and shall be payable by the Borrowers in arrears on the first Business Day following the completion of each Fiscal Quarter (as well as on any date that the Facility 1 Revolver is cancelled) for the Fiscal Quarter then ending (or portion thereof) beginning with the first of such dates to occur after the Closing Date.

5.5 Overdue Principal and Interest

If all or part of any Prime Rate Advance, Base Rate Advance or U.S. Prime Rate Advance is not paid when due and payable (whether at its stated maturity, by acceleration or otherwise), the overdue amount shall bear interest (before as well as after judgment), payable on Demand, at a rate per annum equal to the rate of interest applicable under this Agreement to Prime Rate Advances, Base Rate Advances or U.S. Prime Rate Advances, as the case may be, calculated from the date of non-payment until it is paid in full.

5.6 Interest on Other Amounts

If any fee or other amount owed by any Obligor to the Lenders under any of the Credit Documents is not paid when due and payable, and there is no other provision in any Credit Document specifying the interest payable on that overdue amount, that overdue amount shall bear interest (as well after as before judgment), payable on Demand at a rate per annum equal at all times to the interest payable in respect of Prime Rate Advances from the date of non-payment until it is paid in full.

5.7 Letter of Credit Fee

In consideration of the issuance of Letters of Credit hereunder, the Borrowers agree to pay to the Lenders a Letter of Credit Fee as contemplated in Sections 6.1(j) and 6.1(k).

5.8 Facility 4 Revolver Fee

The Borrowers agree to pay to the Lenders an irrevocable arrangement fee for Facility 4 Revolver in the amount of U.S.\$1,000,000, which fee shall be fully earned by the Lenders and payable as follows: (i) \$150,000 on the date of this Agreement, (ii) thereafter, \$75,000 per month on the last Business Day of each calendar month commencing October 31, 2018 up to and including December 31, 2018 and (ii) the balance in the amount of \$625,000 on January 31, 2019.

5.9 EDC Fees

The Borrowers agree to pay to EDC a set-up fee and guarantee fee, in such amount as advised by EDC prior to the Closing Date, and all other costs and expenses incurred by EDC in connection with the negotiation, preparation, execution and effectiveness of the EDC Guarantee, the enforcement of, or preservation of any rights under the EDC Guarantee, including without limitation, the fees and expenses of legal counsel for EDC and travel costs

ARTICLE 6 - LETTERS OF CREDIT

6.1 Letters of Credit

- (a) If the Borrowers wish to request an Advance by way of issuance of a Letter of Credit under the Revolving Facility, the Borrowers shall, at the time they deliver the Notice of Request for Advance required pursuant to Section 2.4, execute and deliver to the Canadian Lender a Letter of Credit Agreement.
- (b) Each Letter of Credit shall be made available by the Canadian Lender under the Revolving Facility.
- (c) Each Letter of Credit issued by the Canadian Lender shall be in a form and on such terms as determined by the Canadian Lender in its sole discretion.
- (d) No Letter of Credit may be issued for a period in excess of 364 days.
- (e) If, at any time, a demand for payment (the amount so demanded being referred to as a “**relevant amount**”) is made under any Letter of Credit, then the Canadian Lender shall:
 - (i) promptly notify the Borrowers of such demand; and
 - (ii) pay the relevant amount on the date upon which it becomes payable under the Letter of Credit, or as soon as possible under that date.
- (f) The Borrowers shall be deemed to have requested a Prime Rate Advance for Canadian Dollar Letters of Credit, and a Base Rate Advance for U.S. Dollar Letters of Credit of the relevant amount and the obligations of the Canadian Lender arising in connection with the Letters of Credit. In each case payment will be made together with all charges and expenses payable to or incurred by the Canadian Lender in connection with the Letters of Credit.
- (g) The Borrowers shall indemnify and hold harmless the Canadian Lender from and against all liabilities and costs in connection with any Letter of Credit (including, without limitation, any costs incurred in funding any amount which falls due from the Canadian Lender, under any Letter of Credit) to the extent that such liabilities or costs are not satisfied or compensated by the payment of interest on sums due

pursuant to this Agreement, except where such liabilities or costs result from the gross negligence or wilful misconduct of the Canadian Lender.

- (h) The Canadian Lender shall at all times be entitled, and is irrevocably authorized by the Borrowers, to make any payment under any Letter of Credit for which a request or demand has been made in the required form, without any further reference to the Borrowers or any investigation or enquiry, and the Canadian Lender need not concern itself with the propriety or validity of any claim made or purported to be made under the terms of any Letter of Credit (except as to compliance with the payment conditions of any Letter of Credit), and shall be entitled to assume that any Person expressed in a Letter of Credit as being entitled to make demand or receive payments thereunder is so entitled. Accordingly, so long as a request or demand has been made in the proper form it shall not be a defence to any demand made of the Borrowers under this Agreement, nor shall the Obligations be impaired, by the fact that the Canadian Lender was or might have been justified in refusing payment, in whole or in part, of the amounts so claimed.
- (i) A certificate of the Canadian Lender as to the amounts paid by the Canadian Lender pursuant to this Section 6.1, or the amount paid out under any Letter of Credit shall, in the absence of manifest error, be conclusive evidence of the existence and amount of such payment in any legal action or proceeding arising out of or in connection with such Letter of Credit.
- (j) Upon the issuance of a Letter of Credit, the Borrowers shall pay in advance to the Canadian Lender, a fee (the "**Letter of Credit Fee**") on each outstanding Letter of Credit calculated by:
 - (i) multiplying the maximum face amount of the Letter of Credit by the Applicable Margin (provided that if such amount is less than Three Hundred and Fifty (\$350.00) Canadian Dollars such amount shall be deemed to be Three Hundred and Fifty (\$350.00) Canadian Dollars), and
 - (ii) then multiplying the result by a fraction,
 - (A) the numerator of which is the number of days in the term of the relevant Letter of Credit, and
 - (B) the denominator of which is 365 days or 366 days in the case of a leap year.

In the event that the Letter of Credit or any portion thereof shall be cancelled or drawn upon, the Canadian Lender shall forthwith refund such portion of the Letter of Credit Fee attributable to such cancelled or drawn portion of the Letter of Credit over the remaining term thereof.
- (k) The Borrowers agree to pay to the Canadian Lender, on the issuance of each Letter of Credit, the prevailing fees and charges assessed by the Canadian Lender in connection with the issuance, administration, amendment and payment or

cancellation of letters of credit in accordance with the usual practices of the Canadian Lender. Such fees and charges shall be payable quarterly in advance.

- (l) The undrawn amount of each Letter of Credit issued by the Canadian Lender on behalf of the Borrowers shall be deemed to be an Advance under the Revolving Facility, which Advance shall be retired upon the earliest of:
 - (i) the return of the Letter of Credit to the Canadian Lender for cancellation;
 - (ii) the expiry date of the Letter of Credit; and
 - (iii) the deeming of the amount drawn on the Letter of Credit to be a Prime Rate Advance or Base Rate Advance as the case may be, under the Revolving Facility.
- (m) If any Letter of Credit is outstanding upon the occurrence and during the continuance of an Event of Default or following demand by the Lenders, the Borrowers agree to pay to the Canadian Lender forthwith an amount (the “**deposit amount**”) equal to the undrawn principal amount of the outstanding Letter of Credit, which deposit amount shall be held by the Canadian Lender for application against the indebtedness owing by the Borrowers to the Canadian Lender in respect of any draw on the outstanding Letter of Credit. In the event that the Canadian Lender is not called upon to make full payment on the outstanding Letter of Credit prior to its expiry date, the deposit amount, or any part thereof as has not been paid out, shall, so long as no Event of Default then exists and the Lenders have not made demand, be returned to the Borrowers.
- (n) The Obligations of the Borrowers with respect to Letters of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:
 - (i) any lack of validity or enforceability of any Credit Document or the Letters of Credit;
 - (ii) any amendment or waiver of or any consent to or actual departure from this Agreement;
 - (iii) the existence of any claim, set-off, defence or other right which any Obligor may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for which any such beneficiary or any such transferee may be acting), the Lenders or any other Person or entity, whether in connection with this Agreement, the transactions contemplated in this Agreement or in any other agreements or any unrelated transactions;
 - (iv) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any

statement therein being untrue or inaccurate in any respect except for non-compliance with the payment conditions of such Letter of Credit; or

- (v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.
- (o) The Borrowers assume all risks of the acts or omissions of the beneficiary of each Letter of Credit with respect to such Letter of Credit. It is understood and agreed that the Lenders shall not have any liability for, and that the Borrowers assume all responsibility for:
 - (i) the genuineness of any signature;
 - (ii) the form, validity, genuineness, falsification and legal effect of any draft, certification or other document required by a Letter of Credit or the authority of the Person signing the same;
 - (iii) the failure of any instrument to bear any reference or adequate reference to a Letter of Credit or the failure of any Persons to note the amount of any instrument on the reverse of a Letter of Credit or to surrender a Letter of Credit;
 - (iv) the good faith or acts of any Person other than the Canadian Lender and its agents and employees;
 - (v) the existence, form or sufficiency of, or breach or default under, any agreement or instruments of any nature whatsoever;
 - (vi) any delay in giving, or failure to give, any notice, demand or protest; and
 - (vii) any error, omission, or delay in, or non-delivery of, any notice or other communication, however sent.
- (p) The determination as to whether the required documents are presented prior to the expiration of a Letter of Credit and whether such other documents are in proper and sufficient form for compliance with a Letter of Credit shall be made by the Canadian Lender in its sole discretion, which determination shall be conclusive and binding upon the Obligors absent manifest error. It is agreed that the Canadian Lender may honour, as complying with the terms of a Letter of Credit and this Agreement, any documents otherwise in order and signed or issued by the beneficiary thereof. Any action, inaction or omission on the part of the Canadian Lender under or in connection with the Letters of Credit or any related instruments or documents, if in good faith and in conformity with such Applicable Law or commercial or banking customs as the Canadian Lender may reasonably deem to be applicable, shall be binding upon the Obligors, and shall not affect, impair or prevent the vesting of any of the Lenders' rights or powers under this Agreement, or the Borrowers' obligation to make full reimbursement of amounts drawn under the Letters of Credit. Notwithstanding this Section 6.1(p), the Borrowers shall not

be responsible for, and no Person shall be relieved of responsibility for, any gross negligence or wilful misconduct of that Person.

6.2 Uniform Customs and Practices

Notwithstanding any other provision of this Article 6, the rights and obligations between the Lenders and the Borrowers with respect to each Letter of Credit shall be determined in accordance with the applicable provisions of the (i) Uniform Customs and Practice for Documentary Credits (1993 Revision), ICC Publications 500 or (ii) the International Standby Practices - ISP98, ICC Publication No. 590, as applicable.

ARTICLE 7 – REPAYMENT

7.1 Demand

The Lenders may, at any time and from time to time in their discretion and whether or not an Event of Default shall have occurred and then be continuing (including, for certainty, the Existing Defaults), demand payment of the Obligations, and should any such demand be made, the Obligations shall thereupon become due and payable in full, without any notice or other formality.

7.2 Mandatory Repayment

The Obligations of the Borrowers under the Credit Facilities are repayable on the earlier to occur of: (i) the Acceleration Date, and (ii) the Maturity Date.

7.3 Voluntary Repayments and Reductions of Credit Facilities

The Borrowers may from time to time repay or prepay Prime Rate Advances or Base Rate Advances outstanding without notice, premium, penalty or bonus upon the Lenders receiving from the Borrowers an irrevocable Repayment Notice not less than one (1) Business Day and not more than three (3) Business Days prior to the proposed reduction date and which shall be irrevocable

7.4 Mandatory Prepayments

7.4.1 Facility 1 Revolver

If at any time:

- (a) the positive difference between the aggregate of all Advances then outstanding under the Revolving Facility;
exceeds
- (b) the Borrowing Base,

then the Borrowers shall forthwith (i) repay Advances under the Revolving Facility in an amount sufficient to reduce aggregate Advances under the Revolving Facility to an amount equal to or less than the Borrowing Base or (ii) deposit with the Lenders cash or Cash Equivalents in an

amount equal to such excess, provided that if it is determined on any subsequent day that the amount so deposited exceeds the amount of such excess, the Borrowers may withdraw cash or Cash Equivalents in amounts aggregating the said surplus cash or Cash Equivalents.

7.4.2 Facility 4 Revolver

100% of the Accounts Receivables associated with the Eligible Customer Contracts whose Eligible Pre-Shipment Costs have been financed in whole or in part by Facility 4 Revolver shall be applied to Facility 4 Revolver until repaid in full. Until such repayment, such Accounts Receivable shall be deposited into a bank account maintained by the Canadian Borrower with the Lenders.

7.4.3 Net Proceeds of Sales

100% of the Net Proceeds of (i) any sales or issuances of equity or debt securities in any Obligor, (ii) any sale or disposition of any assets (other than the sale of inventory in the ordinary course of business) and not reinvested within 180 days of receipt and (iii) insurance and condemnation proceeds not otherwise reinvested within 180 of receipt shall be applied first to Facility 2 until paid in full, second to Facility 3 until paid in full, third to Facility 5 until repaid in full, fourth, to Facility 1 until repaid in full and then to Facility 5 until repaid in full.

ARTICLE 8 - PLACE AND APPLICATION OF PAYMENTS

8.1 Place of Payment of Principal, Interest and Fees

- (a) The Borrowers undertake, for as long as the Borrowers have Obligations, to maintain at the Lenders' Payment Branch separate accounts in Canadian Dollars and in U.S. Dollars, as the case may be, which the Lenders shall be entitled to debit with any amounts as are from time to time required to be paid by the Borrowers under the Credit Documents, as and when such amounts are due, and the Borrowers further covenant that the said accounts will contain sufficient funds for this purpose. Without in any way limiting the rights of the Lenders under this Section 8.1, unless otherwise specifically agreed between the Borrowers and the Lenders, the Borrowers direct the Lenders to debit the said accounts maintained pursuant to this Section 8.1 with such amounts as are from time to time required to be paid by the Borrowers pursuant to any term of this Agreement.
- (b) All payments by the Borrowers under any Credit Document, unless otherwise expressly provided, shall be made to the Lenders at the Lenders' Payment Branch, or at such other location as the Lenders may direct, for the account of the Lenders, not later than 12:00 noon (Toronto time) for value on the date when due, and shall be made in immediately available funds without any right of the Borrowers to set-off or counterclaim.

8.2 Netting of Payments

If, on any date, amounts would be due and payable under this Agreement in the same currency by the Borrowers to the Lenders and by the Lenders to the Borrowers, then, on such date,

upon notice from the Lenders stating that netting is to apply to such payments, the obligations of each such party to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by the Borrowers to the Lenders exceeds the aggregate amount that would otherwise have been payable by the Lenders to the Borrowers or vice versa, such obligations shall be replaced by an obligation upon whichever of the Borrowers or the Lenders would have had to pay the larger aggregate amount to pay to the other the excess of the larger aggregate amount over the smaller aggregate amount.

ARTICLE 9 - REPRESENTATIONS AND WARRANTIES

9.1 Representations and Warranties

The Borrowers, for and on their own behalf and on behalf of each of the other Obligor make the following representations and warranties to the Lenders, and acknowledge and confirm that the Lenders are relying upon such representations and warranties.

9.1.1 Existence and Qualification

(a) Each Obligor:

- (i) has been duly incorporated, formed, amalgamated, merged or continued, as the case may be, and is validly subsisting or in good standing, as the case may be, under the laws of its jurisdiction of incorporation, formation, amalgamation, merger or continuance, as the case may be; and
- (ii) is duly qualified and has all required Material Licences to carry on its business in each jurisdiction in which the nature of its business requires qualification, except where failure to do so would not reasonably be expected to result in a Material Adverse Effect.

- (b) Each Obligor (other than the U.S. Borrower) is a wholly-owned direct or indirect Subsidiary of the U.S. Borrower.

9.1.2 Power and Authority

Each Obligor has the power and authority, where applicable, to:

- (a) enter into, and to exercise its rights and perform its obligations under, the Credit Documents to which it is a party and all other instruments and agreements delivered by it pursuant to any of the Credit Documents; and
- (b) own its Property and carry on its business as currently conducted and as currently proposed to be conducted by it.

9.1.3 Execution, Delivery, Performance and Enforceability of Documents

The execution, delivery and performance of each of the Credit Documents to which each Obligor is a party, and every other instrument or agreement delivered by an Obligor pursuant to

any Credit Document has been duly authorized, and each of such documents has been duly executed and delivered.

9.1.4 Credit Documents Comply with Applicable Law, Organizational Documents and Contractual Obligations

None of the execution or delivery of, the consummation of the transactions contemplated in, or compliance with the terms, conditions and provisions of any of, the Credit Documents or any of the agreements or documents delivered in connection therewith by any Obligor, conflicts with or will conflict with, or results or will result in any breach of, or constitutes a default under or contravention of, any Requirement of Law or any Material Licence, or results or will result in the creation or imposition of any Encumbrance upon any of its Property other than as contemplated by the Credit Documents.

9.1.5 Consent Respecting Credit Documents

Each Obligor has obtained, made, or taken all consents, approvals, authorizations, declarations, registrations, filings, notices and other actions whatsoever required (except for registrations or filings which may be required in respect of the Security) in connection with the execution and delivery by it of each of the Credit Documents to which it is a party, and the consummation of the transactions contemplated in the Credit Documents.

9.1.6 Enforceable Obligations

This Agreement and the other Credit Documents have been duly executed and delivered and constitute legal, valid and binding obligations of each Obligor (with regard to each agreement or instrument to which it is a party) enforceable in accordance with their respective terms, except as may be limited by bankruptcy, reorganization, moratorium or insolvency laws or similar laws affecting creditors' rights generally and by general equitable principles.

9.1.7 Taxes

Except as described in Schedule 5, each Obligor has filed, or caused to be filed, all income tax returns and other material returns in respect of Taxes required to be filed, has either paid, or made adequate provision for the payment of, all Taxes which are due and payable, or has accrued such amounts in its financial statements for the payment of such Taxes, except for Taxes which are not material in amount, and which are not delinquent or if delinquent are being contested in good faith and through appropriate proceedings, and there is no material action, suit, proceeding, investigation, audit or claim now pending, or to the best of the knowledge of any Obligor after due inquiry threatened by any Governmental Authority regarding any Taxes, nor has any of the Obligors agreed to waive or extend any statute of limitations with respect to the payment or collection of Taxes.

9.1.8 Judgments, Etc.

No Obligor is subject to any judgment, order, writ, injunction, decree or award, or to any restriction, rule or regulation (other than customary or ordinary course restrictions, rules and

regulations consistent or similar with those imposed on other Persons engaged in similar businesses) which has not been stayed, or of which enforcement has not been suspended.

9.1.9 Accounts Receivable

The Accounts Receivable of the Borrowers are based on actual *bona fide* sales and deliveries of goods or rendition of services to customers, the goods and services being sold and the Accounts Receivable created are the Borrowers' exclusive property and are not subject to any Encumbrance or consignment or similar arrangement other than Permitted Encumbrances, and except as otherwise reported or reserved against on the Borrowers' books and records, or otherwise disclosed in writing by the Borrowers, the customers have accepted the goods or services, and owe and are obliged to pay the full amounts stated in the applicable invoices according to their terms without any dispute, offset, defence or counterclaim.

9.1.10 Absence of Litigation

There are no actions, suits or proceedings pending or, to the best of the knowledge of any Obligor after due inquiry, threatened against or affecting any Obligor or the Property of any Obligor for claims in excess of \$250,000 except for those actions set out in Schedule 6.

9.1.11 Debt and Non-Arm's Length Transactions

- (a) No Obligor has any Debt, other than Permitted Debt.
- (b) No agreement, arrangement or transactions between any Obligor, on the one hand, and any Associate of, Affiliate of or other Person not dealing at Arm's Length with the Borrowers (other than Obligors), on the other hand, is in existence at the date hereof except as set forth in Schedule 7.

9.1.12 Ownership

- (a) Each:
 - (i) Obligor has good and valid leasehold interests to the real property described in Schedule 8(b) (which, together with any leases of real property entered into by any Obligor after the Closing Date, is referred to collectively as the "**Leased Real Property**"); and
 - (ii) Obligor has good and marketable title to all of its other material Property, in each case subject to no Encumbrances other than Permitted Encumbrances.
- (b) Each Obligor has peaceful and undisturbed possession of all its Leased Real Property and there is no pending or, to the knowledge of any Obligor after due inquiry, threatened condemnation or expropriation proceeding relating to any such Leased Real Property which, if determined adversely, would have a Material Adverse Effect. All tangible assets owned, leased or used by each Obligor in the conduct of the Business are:

- (i) insured to the extent, and in a manner customary, in the industry in which the Borrowers are engaged;
 - (ii) structurally sound with no known material defects;
 - (iii) in good operating condition and repair, subject to ordinary wear and tear and casualty;
 - (iv) not in need of material maintenance or repair except for ordinary, routine maintenance and repair the cost of which would not be material or as a result of casualty;
 - (v) sufficient for the operation of the Business as presently conducted thereon; and
 - (vi) in conformity with all Applicable Law and other requirements (including applicable zoning, environmental, motor vehicle safety, occupational safety and health laws and regulations) relating thereto, except where the failure to comply or conform with any of the foregoing would not reasonably be expected to have a Material Adverse Effect.
- (c) No Person has any agreement or right to acquire an interest in any Property of any Obligor other than in the ordinary course of business;
 - (d) Schedule 8(a) contains a description of all real property owned by each Obligor (including municipal addresses, the name of the Person which owns such real property and a brief description of such real property and its use);
 - (e) Schedule 8(b) contains a description of all real property leased by each Obligor (including municipal addresses, the name of the Person which leases such leased real property, the name of the landlord and the term and any renewal rights under the applicable lease), and if requested by the Lenders in writing, acting reasonably, a legal description for the leased property in question; and
 - (f) Schedule 8(c) contains a description of all real property not owned or leased by an Obligor at which any of its inventory having a value equal to or greater than \$50,000 may from time to time be stored or located (including municipal addresses, the name of the Person which keeps inventory at such Property and the name of the bailee or third party and the name of the bailee or third party holding such inventory at such location).

9.1.13 Insurance

Each Obligor maintains insurance which is in full force and effect and which complies with all of the requirements of this Agreement. The details of all existing insurance policies maintained by the Obligors as of the date of this Agreement are outlined as to carrier, policy number, expiration date, type and amount in Schedule 9.

9.1.14 Licensors, Suppliers, Distributors and Customers

The relationships with the Obligor's material licensors, suppliers, distributors and customers are satisfactory commercial working relationships and, to the best of the knowledge of any Obligor, during the 12-month period ended on the Closing Date, no such licensor, supplier, distributor or customer has other than in the ordinary course of business modified, cancelled or otherwise terminated its relationship with or decreased its usage or purchase of the services or products of it in a manner which has had, or would reasonably be expected to have, a Material Adverse Effect. None of the Obligors is aware of any intention of any such licensor, supplier, distributor or customer to take any action which would reasonably be expected to have a Material Adverse Effect.

9.1.15 No Employee Disputes

Except as disclosed in Schedule 10, there are no controversies pending or, to the best knowledge of any Obligor after due inquiry, threatened between the Obligors and any of their respective employees, other than employee grievances in which liability would not exceed \$100,000.

9.1.16 Labour Relations

Except as disclosed in Schedule 11, there is:

- (a) no material labour practice complaint pending against any Obligor or, to the best knowledge of any Obligor after due inquiry, threatened against any of the Obligors, before the National Labour Relations Board, the Canada Industrial Relations Board or any other applicable provincial labour relations board or other Governmental Authority, and no grievance or arbitration proceeding arising out of or under collective bargaining agreements is so pending against any Obligor or, to the best knowledge of any Obligor after due inquiry, threatened against any of them;
- (b) no strike, labour dispute, slowdown or stoppage pending against any Obligor, or to the best knowledge of any Obligor after due inquiry, threatened against any of them; and
- (c) to the best of the knowledge of any Obligor after due inquiry, no union representation questions with respect to the employees of any of the Obligors and no union organizing activities.

9.1.17 Compliance with Law

None of the Obligors has violated or failed to comply with any Applicable Law in any material manner, or any Applicable Order of any self regulatory organization, or any judgment, decree or order of any court, applicable to the Obligor's business. The conduct of the Business is in conformity with all securities, commodities, energy, public utility, zoning, building code, health, occupational health and safety and environmental requirements and all other foreign, federal, state, provincial and local governmental and regulatory requirements and requirements of any self regulatory organizations, except where such non-conformities could not reasonably be expected

to have a Material Adverse Effect. None of the Obligor has received any notice to the effect that, or otherwise been advised that, it is not in compliance with any Applicable Law, and none of the Obligor knows of any currently existing circumstances that are likely to result in the violation of any Applicable Law.

9.1.18 No Event of Default or Pending Event of Default

Other than the Existing Defaults, no Event of Default or Pending Event of Default has occurred. No Obligor is in default under any agreement, guarantee, indenture or instrument to which it is a party or by which it is bound, the breach of which would reasonably be expected to cause a Material Adverse Effect or affect its ability to perform any of its obligations under any Credit Document to which it is a party.

9.1.19 Corporate Structure

The corporate structure of the Borrowers and its Subsidiaries is, as at the Closing Date, as set out in Schedule 12, which Schedule contains:

- (a) *Shareholdings of the Obligor.* On the Closing Date, all of the Subsidiaries of the Borrowers are as provided for in Schedule 12 and such Obligor do not own or hold any shares in the capital of, or any other ownership interest in, any other Person.
- (b) *Evidence of Ownership of Obligor.* On the Closing Date, the authorized capital of the Borrowers and its Subsidiaries is as provided for in Schedule 12, of which the number of issued and outstanding shares or units and the beneficial owners thereof at such time is provided for in Schedule 12.
- (c) *Rights to Acquire Shares of Obligor.* No Person will have an agreement or option or any other right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option, including convertible securities, warrants or convertible obligations of any nature, for the purchase, subscription, allotment or issuance of any unissued shares in the capital of any Obligor except as provided for Section 10.4(c) or as set out in Schedule 12.

9.1.20 Relevant Jurisdictions

- (a) The Relevant Jurisdictions for each Obligor are set out in Schedule 13.
- (b) The Obligor's chief executive offices are at the locations set out in Schedule 13, and the books and records of the Obligor and all chattel paper and all records of accounts are and shall at all times be located at the chief executive offices of the Obligor or as otherwise noted in Schedule 13.
- (c) All other locations where the Obligor keep, store or maintain any Property are set out in Schedule 8. Also, set out in Schedule 8 is a true, correct and complete list in all material respects of the names and addresses of each warehouseman, filler, processor and packer at which inventory is stored.

9.1.21 Computer Software

Each Obligor owns or has licenced for use all of the material software necessary to conduct its businesses.

9.1.22 Intellectual Property Rights

- (a) Each Obligor owns, or has the legal right to use, all Intellectual Property necessary for each of them to conduct its business as currently conducted. Set out in Schedule 14 is a list of all material Intellectual Property owned by each Obligor, or that any Obligor has the right to use.
- (b) Except as provided in Schedule 14, no claim has been asserted or is pending by any Person challenging or questioning the use of any such Intellectual Property, or the validity or effectiveness of any such Intellectual Property, nor does any Obligor know of any such claim, and to the best of the knowledge of any Obligor after due inquiry, the use of such Intellectual Property by any Obligor does not infringe on the rights of any Person.

9.1.23 Material Licences and Material Contracts

- (a) Schedule 15, (as amended from time to time with the consent of the Lenders), accurately sets out (i) in Part I all Material Licences and (ii) in Part II all Material Contracts.
- (b) Each Material Licence and Material Contract is in full force and effect, unamended except as permitted under this Agreement.
- (c) No event has occurred and is continuing which would constitute a breach of, or a default under, any Material Licence or Material Contract.

9.1.24 Fiscal Year

The fiscal year end of each Obligor is December 31 of each calendar year.

9.1.25 Financial Information

All financial statements which have been furnished to the Lenders in connection with this Agreement are complete in all material respects and such financial statements fairly present in all material respects the financial position of the Obligors, as applicable as of the dates referred to therein and have been prepared in accordance with GAAP except as otherwise described in Schedule 16. All other financial information (including, without limitation, budgets and projections) provided to the Lender is complete in all material respects and based on reasonable assumptions and expectations.

9.1.26 No Material Adverse Effect

Since the date of the most recent annual financial statements of the Canadian Borrower provided to the Lenders prior to Closing in connection with this Agreement, there has been no development or event which has had or would reasonably be expected to have a Material Adverse Effect.

9.1.27 Environmental

- (a) Each Obligor has been and is, in all material respects, in compliance with all Requirements of Environmental Law. Each Obligor holds and is in compliance with all permits required to be held under Requirements of Environmental Law.
- (b) No Governmental Authority has identified any Obligor as a “potentially responsible party” or notified any Obligor that it may in the future identify the Obligor as a “potentially responsible party” pursuant to the *Comprehensive Environmental Response, Compensation and Liability Act of 1980*, as amended (CERCLA) or any other similar Applicable Law.
- (c) Except as permitted in accordance with Requirements of Environmental Law, no Obligor has released or discharged any hazardous substance, pollutant, contaminant, waste or any other substance regulated by Applicable Laws at or from any Leased Real Property. To the knowledge of the Borrowers, there is no hazardous substance, pollutant, contaminant, waste or any other substance regulated by Requirements of Environmental Law at any Leased Real Property that would result in any liability being imposed on or attracted by any Obligor. There has been no prior prosecution or conviction against any Obligor for any breach of any Requirements of Environmental Law.

9.1.28 Employee Welfare and Pension Plans

- (a) Each Obligor has adopted all Pension Plans and Welfare Plans required by Applicable Law and applicable collective bargaining agreements and to the best of the knowledge of any Obligor after due inquiry, each of such plans is in compliance with such Applicable Law and collective bargaining agreements (including, without limitation, all requirements relating to employee participation, funding, investment of funds, benefits and transactions with the Obligors and Persons related to them as well as requirements of ERISA and the Consolidated Omnibus Budget Reconciliation Act).
- (b) None of the Obligors maintains or is obligated to contribute to any defined benefit Pension Plan. To the best of the knowledge of any Obligor, with respect to Pension Plans, except as disclosed in Schedule 17:
 - (i) no steps have been taken to terminate any Pension Plan (wholly or in part) which could result in any Obligor being required to make an additional contribution to the Pension Plan;

- (ii) no contribution failure has occurred with respect to any Pension Plan sufficient to give rise to a lien or charge under any applicable pension or tax laws of any jurisdiction;
 - (iii) no condition exists and no event or transaction or breach has occurred with respect to any Pension Plan which is reasonably likely to result in the incurrence by an Obligor of any material liability, fine or penalty; and
 - (iv) no Obligor has a material contingent liability with respect to or under a Welfare Plan.
- (c) Except as disclosed in Schedule 17,
- (i) each Pension Plan is in compliance in all material respects with all Applicable Law including pension benefits and tax laws;
 - (ii) all contributions (including employee contributions made by authorized payroll deductions or other withholdings) required to be made to the appropriate funding agency in accordance with all Applicable Law and the terms of each Pension Plan have been made in accordance with all Applicable Law and the terms of each Pension Plan;
 - (iii) all liabilities under each Pension Plan are funded, on a going concern and solvency basis, in accordance with the terms of the respective Pension Plans, the requirements of applicable pension benefits laws and of applicable regulatory authorities and the most recent actuarial report filed with respect to the Pension Plan and there is no accumulated funding deficit with respect to any Pension Plan except where failure to pay would reasonably be expected to have a Material Adverse Effect;
 - (iv) no event has occurred and no conditions exist with respect to any Pension Plan that has resulted or could reasonably be expected to result in any Pension Plan having its registration revoked or refused for the purposes of any administration of any relevant pension benefits regulatory authority or being required to pay any taxes or penalties under any applicable pension benefits or tax laws; and
 - (v) there are no pending or, to the best of the knowledge of any member of any Obligor after due inquiry, threatened or anticipated claims involving or relating to any of the Pension Plans or Welfare Plans (other than routine claims for benefits).

9.1.29 Not an Investment Company

No Obligor is an "investment company" or a company "controlled" by an "investment company" within the meaning of the *United States Investment Company Act* of 1940, as amended or a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of

a holding company, or of a "subsidiary company" of a "holding company", within the meaning of the *United States Public Utility Holding Company Act* of 1935, as amended.

9.1.30 No Margin Stock

No Obligor is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. None of the proceeds of any Advance shall be used to purchase or carry, or to reduce or retire or refinance any credit incurred to purchase or carry, any margin stock (within the meaning of Regulations U and X of the Board of Governors of the Federal Reserve System of the United States) or to extend credit to others for the purpose of purchasing or carrying any margin stock.

9.1.31 Full Disclosure

All information furnished by the Obligors to the Lenders for purposes of, or in connection with, this Agreement or any Credit Documents, or any other transaction contemplated by this Agreement, including any information furnished in the future, is or will be true and accurate in all material respects on the date as of which such information is dated or certified, and not incomplete by omitting to state any material fact necessary to make such information not misleading at such time in light of then-current circumstances; provided that projections that have been or will be made available to the Lenders by the Borrowers or any of its representatives have been or will be prepared in good faith based upon assumptions deemed reasonable by management as of the date such projections are prepared and dated or certified. There is no fact now known to any of the Obligors which has had, or could reasonably be expected to have, a Material Adverse Effect.

9.1.32 ERISA

Neither the U.S. Borrower nor any ERISA Affiliate maintains or contributes to any Plan other than a Plan listed on Schedule 17 attached hereto. Each Plan which is intended to be a qualified plan has been determined by the Internal Revenue Service to be qualified under Section 401(a), and each trust related to any such Plan has been so determined to be exempt from federal income tax under Section 501(a) of the Code prior to its amendment by the *Tax Reform Act* of 1986, and such Plan and Trust are being operated in all material respects in compliance with and will be timely amended in accordance with the *Tax Reform Act* of 1986 and the Omnibus Budget Reconciliation Act of 1987 as interpreted by the regulations promulgated thereunder. Neither the U.S. Borrower nor any ERISA Affiliate maintains or contributes to any employee welfare benefit plan within the meaning of Section 3(1) of ERISA which provides lifetime benefits to retirees other than as may be required by the Consolidated Omnibus Reconciliation Act of 1985, as amended and interpreted by regulations promulgated thereunder. The U.S. Borrower and all of its ERISA Affiliates are in compliance with the responsibilities, obligations or duties imposed on it ERISA or regulations promulgated thereunder with respect to all Plans. No accumulated funding deficiency (as defined in Section 302(a)(2) of ERISA and Section 412(a) of the Code) exists in respect to any Benefit Plan. Neither the U.S. Borrower nor any ERISA Affiliate nor any fiduciary of any Plan (a) has engaged in a non-exempt "prohibited transaction" described in Section 406 of ERISA or Section 4975 of the Code or (b) has taken any action which would constitute or result in a Termination Event with respect to any Plan such that actions under the preceding clauses (a) or (b) or both would result in an obligation to pay money. Neither the U.S. Borrower nor any

ERISA Affiliate has incurred any liability to the PBGC which remains outstanding other than the liability to pay the PBGC insurance premiums for the current year. Schedule B to the most recent annual report filed with the Internal Revenue Services with respect to each Benefit Plan and furnished to the Lenders is complete and accurate in all material respects. Since the date of each such Schedule B, there has been no change in the funding status or financial condition of the Benefit Plan relating to such Schedule B which would result in a Material Adverse Effect. Neither the U.S. Borrower nor any ERISA Affiliate has failed to make a required installment under subsection (m) of Section 412 of the Code or any other payment required under Section 412 of the Code on or before the due date for such installment or other payment which would in the aggregate have a Material Adverse Effect. Neither the U.S. Borrower nor any ERISA Affiliate is required to provide security to a Plan under Section 401(a)(29) of the Code due to a Plan amendment that results in an increase in current liability for the plan year. Neither the U.S. Borrower nor any ERISA Affiliate is now contributing or has ever contributed to or been obligated to contribute to any Multiemployer Plan, and no employees or former employees of the U.S. Borrower or any ERISA Affiliate have been covered by any Multiemployer Plan in respect of their employment by the U.S. Borrower or any ERISA Affiliate, and, accordingly, the representations and warranties in this Section 9.1.31 do not apply to Multiemployer Plans.

9.1.33 OFAC

- (a) Each of the Borrowers is in compliance with the requirements of all OFAC Sanctions Programs applicable to it;
- (b) each Subsidiary of the Borrower is in compliance with the requirements of all OFAC Sanctions Programs applicable to such Subsidiary;
- (c) the Borrowers have provided to the Lenders all information regarding the Borrowers and their Affiliates and Subsidiaries necessary for the Lenders to comply with all applicable OFAC Sanctions Programs; and
- (d) to the best of the Borrowers' knowledge, none of the Borrowers nor any of their Affiliates or Subsidiaries are, as of the date hereof, named on the current OFAC SDN List.

9.1.34 Payments to Factories

All payments made by any Obligor to factories represent normal course payments for confirmed orders.

9.2 Survival and Repetition of Representations and Warranties

The representations and warranties set out in Section 9.1 will be deemed to be repeated by the Borrowers as of the date of each request for new Advance by the Borrowers except to the extent that such representation or warranty was given in respect of a specified date or period or where on or prior to such date:

- (a) the Borrowers have advised the Lenders in writing of a variation in any such representation or warranty; and

- (b) if such variation in the opinion of the Lenders, is material to the Property, liabilities, affairs, business, operations, prospects or condition (financial or otherwise) of any Obligor considered as a whole or would have, or be reasonably likely to result in, a Material Adverse Effect, the Lenders have approved such variation.

ARTICLE 10 - COVENANTS

10.1 Positive Covenants

So long as this Agreement is in effect, and until the Obligations have been paid in full, and except as otherwise permitted by the prior written consent of the Lenders, the Borrowers shall perform, or shall cause each of the other Obligor to perform, as applicable, the following covenants:

10.1.1 Timely Payment

Each Obligor shall make due and timely payment of the Obligations required to be paid by it under this Agreement or any other Credit Document.

10.1.2 Conduct of Business, Maintenance of Existence, Compliance with Law

Each Obligor shall engage in that portion of the Business now conducted by it; carry on and conduct its business and operations in a proper, efficient and businesslike manner, in accordance with good business practice; preserve, renew and keep in full force and effect its existence; take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business and comply with all Material Licences and Requirements of Law except in each case where such failure to do so would not reasonably be expect to have, a Material Adverse Effect.

10.1.3 Access to Information

Each Obligor shall maintain all such records in connection with its business or affairs as may be desirable in accordance with prudent business practice. Each Obligor shall promptly provide the Lenders and EDC with all information reasonably requested by the Lenders or EDC, as applicable, from time to time concerning its financial condition and Property, and during normal business hours and from time to time upon reasonable notice, make all such records and documents available for inspection at its premises to the Lenders and permit representatives of the Lenders and EDC to inspect any of its Property and to examine and take extracts from its financial books, accounts and records including but not limited to accounts and records stored in computer data banks and computer software systems, and to discuss its financial condition with its Senior Officers and (in the presence of such of its representatives as it may designate) its auditors.

10.1.4 **Obligations and Taxes**

Each Obligor shall pay or discharge, or cause to be paid or discharged, before they become delinquent:

- (a) all Taxes imposed upon it or upon its income or profits and file all tax returns in respect thereof;
- (b) all lawful claims for labour, materials and supplies;
- (c) all required payments under any of its Debt; and
- (d) all other obligations,

provided, however that (i) no payment shall be made in respect of the SJ Capital Notes, the Vendor Subordinated Debt or any other Subordinated Debt, whether of principal, interest or otherwise, without the prior written consent of the Lenders in their sole discretion; (ii) no payment shall be made by any Obligor to a factory unless such payments represent normal course payments for confirmed orders; and (iii) no Obligor shall be required to pay or discharge, or to cause to be paid or discharged, any such amount so long as its validity or quantum is contested in good faith by appropriate proceedings, and a reserve has been established in its books and records in accordance with GAAP.

10.1.5 **Use of Credit Facilities**

The Borrowers shall use the proceeds of the Credit Facilities as contemplated by Section 2.2.

10.1.6 **Insurance**

The Borrowers shall maintain or cause to be maintained with reputable insurers satisfactory to the Lenders, acting reasonably, comprehensive general liability insurance and insurance coverage against risk of loss or damage to Property of each Obligor up to its full replacement value, and including public liability and damage to Property of third parties, business interruption insurance, fire and extended peril insurance and boiler and machinery insurance, all in such amounts and otherwise covering such risks as are at all times satisfactory to the Lenders, acting reasonably, and provide to the Lenders, on an annual basis, evidence of coverage maintained by the Borrowers. The Borrowers shall, on an annual basis prior to the expiry or replacement of any insurance policy, send copies of all renewed or replacement policies to the Lenders which policies shall provide for insurance coverage in types and amounts as would be maintained by a reasonable Person engaged in a business of a size and nature analogous to that of the Obligors. Without limiting the generality of the foregoing, the Borrowers shall maintain or cause to be maintained in good standing all insurance coverages reasonable and prudent for a business analogous to that of the Obligors. The Lenders shall be indicated in all insurance policies, as applicable, as first loss payee and additional insured and all policies shall contain such clauses as the Lenders require, acting reasonably, for the protection of the Lenders to the extent that it is available.

10.1.7 Notice of Event of Default or Pending Event of Default

The Borrowers shall promptly notify the Lenders of any Event of Default or Pending Event of Default of which they are aware.

10.1.8 Notice of Litigation

The Borrowers shall promptly notify the Lenders of the occurrence or, to the best of their knowledge, threatened occurrence of any litigation, dispute, arbitration, proceeding or other circumstance of which they are aware, the result of which, if determined adversely, would be a judgment or award against them or the other Obligor:

- (a) in excess of \$50,000; or
- (b) would result in a Material Adverse Effect,

and from time to time provide the Lenders with all information requested by the Lenders concerning any such proceeding.

10.1.9 Other Notices

The Borrowers shall promptly give notice to the Lenders of:

- (a) any notice received by the Borrowers of expropriation, or material action or proceeding affecting any of the Obligors;
- (b) any violation of any Applicable Law which results or would result in a Material Adverse Effect;
- (c) any damage to or destruction of any Property of an Obligor having a replacement cost in excess of \$50,000;
- (d) any Encumbrance registered against any Property of an Obligor, other than a Permitted Encumbrance; or
- (e) any material change or proposed material change in the Business as currently conducted.

10.1.10 Environmental Compliance

Each Obligor shall operate its business in compliance with applicable Requirements of Environmental Law and operate all Property owned, leased or otherwise used by it such that no obligation, including a clean-up or remedial obligation, shall arise under any Requirements of Environmental Law, in each case to the extent that failure to do so could have a Material Adverse Effect, provided however, that if any such claim is made or any such obligation arises, the applicable Obligor shall immediately satisfy or contest such claim or obligation at its own cost and expense. The Borrowers shall promptly notify the Lenders to the extent that they become aware of:

- (a) the existence of Hazardous Substance located on, above or below the surface of any land which any Obligor owns, leases, operates, occupies or controls (except those being stored, used or otherwise handled in substantial compliance with applicable Requirements of Environmental Law), or contained in the soil or water constituting such land; or
- (b) the occurrence of any reportable release, spill, leak, emission, discharge, leaching, dumping or disposal of Hazardous Substances that has occurred on or from such land,

in each case to the extent that failure to do so either (i) would have a Material Adverse Effect or (ii) create a liability for the Consolidated Group in excess of \$50,000.

10.1.11 Security

With respect to the Security, each Obligor shall:

- (a) provide and cause each of its Subsidiaries to provide, as applicable, to the Lenders the Security required from time to time pursuant to Article 11 accordance with the provisions of that Article, accompanied by supporting resolutions, certificates and opinions in form and substance satisfactory to the Lenders and Lenders' Counsel, acting reasonably; and
- (b) do, execute and deliver all such things, documents, security, agreements and assurances as may from time to time be requested by the Lenders to ensure that the Lenders hold at all times valid, enforceable, perfected first priority Encumbrances (subject only to Permitted Encumbrances) from the Obligors meeting the requirements of Article 11.

10.1.12 Maintenance of Property

Each Obligor shall keep all Property useful and necessary in its business in good working order and condition, normal wear and tear excepted, and do and cause to be done all things necessary to preserve and keep in full force all Intellectual Property and registrations thereof necessary to carry on its business.

10.1.13 Landlord Consents and Non-Disturbance Agreements

Each Obligor shall, with respect to each present and future parcel of Leased Real Property, in which Property of any Obligor is located:

- (a) Use reasonable commercial efforts to obtain:
 - (i) a consent from the landlord to the assignment of lease by way of security; and
 - (ii) a non-disturbance agreement from any secured lenders to the landlord in favour of the Lenders;

in each case in favour of the Lenders and in form and substance satisfactory to the Lenders, acting reasonably.

10.1.14 Expenses

The Borrowers shall pay promptly all reasonable fees and disbursements (including Taxes thereon) incurred or paid by the Lenders and EDC in connection with the preparation, negotiation, execution, delivery, maintenance, amendment and enforcement (including any workouts in connection with or in lieu of any enforcement) of the Credit Documents, and in connection with the consummation of the transactions contemplated by the Credit Documents, and including, without limitation, all court costs and all reasonable fees and disbursements of lawyers, auditors, consultants and accountants.

10.1.15 Pension Plans and Welfare Plans

- (a) Each Obligor shall maintain, administer, fund and invest all Pension Plans and Welfare Plans relating to its business in compliance with all Applicable Law including any applicable pension and tax Law and shall provide the Lenders with copies of all reports submitted to any Governmental Authority with respect to Plans under ERISA, concurrently with the delivery of such reports to such Governmental Authority. Further, no Obligor will adopt, or become obligated to contribute to or allow any of its Affiliates (including any ERISA Affiliates) to adopt, maintain, or contribute to any Pension Plan or multiemployer Pension Plan, Single Employer Plan or Plan subject to applicable pension and tax Law, without the prior written consent of the Lenders.
- (b) Each Obligor shall give the Lenders the following:
 - (i) As soon as possible, and in any event within ten (10) days, after the U.S. Borrower or an ERISA Affiliate knows or has reason to know that a Termination Event has occurred, a written statement of the president, chief financial officer, or vice president-finance of the U.S. Borrower describing such Termination Event and the action, if any, which the U.S. Borrower or an ERISA Affiliate has taken, is taking or proposes to take with respect thereto, and when known, any action taken or threatened by the IRS, the DOL or PBGC with respect thereto;
 - (ii) As soon as possible, and in any event within fifteen (15) days, after the U.S. Borrower or an ERISA Affiliate knows or has reason to know that a non-exempt prohibited transaction (as defined in Section 406 of ERISA and Section 4975 of the Code) has occurred, a statement of the president or chief financial officer of the U.S. Borrower describing such transaction;
 - (iii) Within ten (10) days after the filing thereof with the DOL, IRS or PBGC, copies of each annual report, filed with respect to each Benefit Plan;
 - (iv) Within ten (10) days after the filing thereof with the IRS, a copy of each funding waiver request filed with respect to any Benefit Plan and all

communications received by the U.S. Borrower or an ERISA Affiliate with respect to such request;

- (v) Within thirty (30) days after the occurrence of (1) the first to occur of (A) an amendment of any existing Benefit Plan which will result in a material increase in the benefits under such Benefit Plan or (B) a notification of any such increase, (2) the establishment of any new Plan, or (3) the commencement of contributions to any Plan to which the U.S. Borrower or an ERISA Affiliate was not previously contributing in a material amount, written notice of such occurrence;
- (vi) Promptly upon, and in any event within fifteen (15) Business Days after, receipt by the U.S. Borrower or an ERISA Affiliate of the PBGC's intention to terminate a Benefit Plan or to have a trustee appointed to administer a Benefit Plan, copies of each such notice;
- (vii) Promptly upon, and in any event within ten (10) Business Days after, receipt by the U.S. Borrower or an ERISA Affiliate of an unfavorable determination letter from the IRS regarding the qualification of a Plan under Section 401 (a) of the Code, copies of each such letter;
- (viii) Promptly upon, and in any event within fifteen (15) Business Days after, receipt by the U.S. Borrower or an ERISA Affiliate of a notice from a Multiemployer Plan regarding the imposition of withdrawal liability, copies of each such notice;
- (ix) Promptly upon, and in any event with fifteen (15) Business Days after, the U.S. Borrower or any ERISA Affiliate fails to make a required installment under subsection (m) of Section 412 of the Code or any other payment required under Section 412 of the Internal Revenue Code on or before the due date for such installment or payment, a notification of such failure provided that such installment payment is an amount which is material; and
- (x) Within thirty (30) days prior to the establishment of any Benefit Plan, Multiemployer Plan, Pension Plan, Plan or Single Employer Plan, written notice of such establishment including, without limitation, the pertinent details of such Benefit Plan, Multiemployer Plan, Pension Plan and/or Single Employer Plan.

10.1.16 Notices

The Borrowers shall promptly, upon having knowledge, give notice to the Lenders of:

- (a) any notice of expropriation affecting any Obligor;
- (b) any Material Adverse Effect that would apply to them, or any other Obligor, or any event or circumstance that is likely to give rise to a Material Adverse Effect of which they are aware including, without limitation, any violation of any Applicable

Law which does or would reasonably be expected to have a Material Adverse Effect on any Obligor;

- (c) any default under any Debt of an Obligor in an amount in excess of \$50,000;
- (d) any termination prior to maturity of or default under a Material Contract or any termination, lapse, rescission or default under a Material Licence other than in the ordinary course of business;
- (e) all notices which it may from time to time receive from any other party to any Material Contract;
- (f) any damage to or destruction of any property, real or personal, of any Obligor having a replacement cost in excess of \$50,000;
- (g) the acquisition of any real property by an Obligor;
- (h) the receipt of insurance proceeds by any Obligor in excess of \$50,000;
- (i) any Encumbrance registered against any property or assets of any Obligor, other than a Permitted Encumbrance.

In each Compliance Certificate delivered to the Lenders, provide notice of:

- (j) any entering into of a Material Contract other than in the ordinary course of business; and
- (k) any material adverse change in, or material adverse amendment to, any Material Contract or termination of a Material Licence other than in the ordinary course of business.

10.1.17 Bank Accounts and Cash Management

- (a) The Borrowers shall at all times maintain the bank accounts with the Lenders listed on Schedule 18.
- (b) The Borrowers shall maintain all cash management services of the Obligors with the Lenders. Notwithstanding the preceding sentence, Best Made Toys Global Enterprises Limited may open a bank account with any bank that can provide Hong Kong dollar chequing services provided that (i) such account is only used for the day-to-day operations of Best Made Toys Global Enterprises Limited in the normal course of business; and (ii) the credit balance of such account does not exceed HKD\$100,000 at any time, other than the account being funded in an amount sufficient to enable Best Made Toys Global Enterprises Limited to make its required rent and payroll payments next becoming due and payable.

10.1.18 **Escrow Account**

The Borrowers shall deposit U.S.\$61,000 into the Escrow Account. All money in the Escrow Account shall be used solely to satisfy the obligation of the Obligors in respect to up to six months unpaid wages and up to 12 months of accrued and unpaid vacation pay due to the employees of the Business (collectively, the “**Employee Obligations**”) and shall not be withdrawn for any other purpose or be available to the Lender on realization following the occurrence of an Event of Default that is continuing. Once the Employee Obligations have been satisfied in full, any remaining money in the Escrow Account shall be held in trust for the Lenders and be available to the Lenders in accordance with Section 12.8 and on realization following the occurrence of an Event of Default that is continuing.

10.1.19 **Material Contracts and Material Licences**

The Borrowers shall execute and deliver, in a form satisfactory to the Lenders, acting reasonably, a specific assignment by way of security in favour of the Lenders of each Material Contract and Material Licence which the Lenders, acting reasonably, require be specifically assigned to the Lenders by the applicable Obligor and further, if the Lenders, acting reasonably, require shall obtain the acknowledgement of each Person or Governmental Authority to the assignment, such acknowledgement to be in a form satisfactory in content to the Lenders, acting reasonably.

10.1.20 **Revision or Update of Schedules**

The Borrowers shall, if any of the information or disclosures provided in any of the Schedules attached to this Agreement becomes outdated or incorrect in any material respect, deliver to the Lenders as part of the Compliance Certificate required pursuant to Section 10.2.7 (or more frequently in the Borrowers’ reasonable judgment or upon the request of the Lenders) any revisions or updates to such Schedule(s) as may be necessary or appropriate to update or correct the outdated Schedule(s), which revisions shall be effective from the date accepted in writing by the Lenders, such acceptance not to be unreasonably withheld; provided, that no revisions or updates to any Schedule(s) shall be deemed to have cured any breach of warranty or misrepresentation occurring prior to the delivery of that revision or update by reason of the inaccuracy or incompleteness of the relevant Schedule(s) at the time that warranty or representation previously was made or deemed to have been made.

10.1.21 **Compliance with OFAC Sanctions Programs**

- (a) The Borrowers shall at all times comply with the requirements of all OFAC Sanctions Programs applicable to them and shall cause each of their Subsidiaries to comply with the requirements of all OFAC Sanctions Programs applicable to such Subsidiary.
- (b) The Borrowers shall provide the Lenders with any information regarding the Borrowers, their Affiliates and Subsidiaries necessary for the Lenders to comply with all applicable OFAC Sanctions Programs; subject however, in the case of Affiliates, to the Borrowers’ ability to provide information applicable to them.

- (c) If either Borrower obtains actual knowledge or receives any written notice that such Borrower or any of its Affiliates or any Subsidiaries is named on the then current OFAC SDN List (such occurrence, an “**OFAC Event**”), such Borrower shall promptly (i) give written notice to the Lenders of such OFAC Event, and (ii) comply with all applicable laws with respect to such OFAC Event (regardless of whether the party included on the OFAC SDN List is located within the jurisdiction of the United States of America), including the OFAC Sanctions Programs, and the Borrowers hereby authorize and consent to the Lenders taking any and all steps the Lenders deems necessary, in their sole but reasonable discretion, to avoid violation of applicable laws with respect to any such OFAC Event, including the requirements of the OFAC Sanctions Programs (including the freezing and/or blocking of assets and reporting such action to OFAC).

10.2 Financial Covenants

So long as this Agreement is in effect, and until the Obligations have been paid in full (other than unasserted contingent obligations for reimbursement and indemnification), and except as otherwise permitted by the prior written consent of the Lenders, the Borrowers shall maintain the following financial covenants (the “**Financial Covenants**”):

10.2.1 Maximum Total Senior Funded Debt to EBITDA Ratio

The Total Senior Funded Debt to EBITDA Ratio shall not be greater than 5.75:1.0 as at October 6, 2017 to and including December 30, 2017, 4:50:1.0 as at December 31, 2017 to and including March 30, 2018; and 3:00:1.0 thereafter until the Maturity Date, to be calculated based on a rolling four quarter basis.

10.2.2 Minimum Fixed Charge Coverage Ratio

The Fixed Charge Coverage Ratio shall not be less than 1.25:1.0 at any time, such ratio to be tested and calculated as of the end of each Fiscal Quarter.

10.2.3 Year-to-Date Cumulative EBITDA

Notwithstanding Sections 10.2.1 and 10.2.2, compliance with the financial covenants set out in Sections 10.2.1 and 10.2.2 shall be suspended during the period commencing June 1, 2018 up to and including January 31, 2019 (the “**Suspension Period**”). During the Suspension Period, the Borrowers agree to maintain the following financial covenant:

Fiscal Month	Year-to-Date Cumulative EBITDA	Permitted Variance
June 2018	(U.S.\$2,553,030)	(U.S.\$510,000)
July 2018	(U.S.\$2,206,375)	(U.S.\$475,000)
August 2018	(U.S.\$1,994,844)	(U.S.\$400,000)
September 2018	(U.S.\$1,700,372)	(U.S.\$340,000)

October 2018	(U.S.\$463,023)	(U.S.\$150,000)
November 2018	(U.S.\$567,439)	(U.S.\$200,000)
December 2018	(U.S.\$974,880)	(U.S.\$300,000)
January 2019	(U.S.\$22,401)	(U.S.\$100,000)

For greater certainty, upon Demand or the occurrence of an Event of Default, the financial covenants set out in Sections 10.2.1 and 10.2.2 shall be automatically reinstated and the Borrowers agree to maintain such financial covenants in accordance with this Agreement.

10.2.4 Calculation Methodology

- (a) Each Financial Covenant shall be calculated on a consolidated basis in accordance with GAAP (subject to those matters described in Schedule 16, for a period of six (6) months following the Original Closing Date).
- (b) Calculations in respect of the Financial Covenants set out in Sections 10.2.1 and 10.2.2 shall be made by using the aggregate financial results of a rolling Four Quarter Period, namely the most recent Fiscal Quarter then ended before the date as at which this ratio is calculated and the three preceding Fiscal Quarters.

10.2.5 Monthly Reports

The Borrowers shall deliver to the Lenders, as soon as available, and in any event within 30 days of the end of each month, as at the end of such month, interim unaudited financial statements of the Borrowers (prepared on a consolidated basis with all Obligor), including, without limitation, management discussion and analysis, balance sheet, statement of income, statement of changes in financial position, a comparison to the budgets set forth in the Annual Operating Budget and consolidating statements, in each case certified by a Senior Officer of the Borrowers. Notwithstanding the foregoing, the unaudited financial statements for August 2018 shall be provided on or before October 12, 2018 and the unaudited financial statements for September 2018 shall be provided on or before November 15, 2018.

10.2.6 Annual Reports

The Borrowers shall deliver to the Lenders as soon as available, and in any event within 120 days after the end of each Fiscal Year, (a) annual audited financial statements of the Borrowers (prepared on a consolidated basis with all Obligor) for such Fiscal Year, including, without limitation, management discussion and analysis, and an auditor's letter to management certified by a Senior Officer of the Borrowers; and (b) annual unaudited unconsolidated financial statements of the Borrowers and each of the Obligors, in each case certified by a Senior Officer of the Borrowers or such other Obligor as applicable.

10.2.7 Compliance Certificate

The Borrowers shall deliver to the Lenders as soon as available, and in any event within 30 days of the end of each month, a Compliance Certificate, stating that each Obligor is in compliance with all conditions of the Credit Facilities, that there has been no Event of Default at the end of such quarter (other than the Existing Defaults), other than as outlined in the Compliance Certificate then delivered.

10.2.8 Borrowing Base Certificate

The Borrowers shall deliver to the Lenders, within 30 days of the end of each month, or at the option of the Borrowers, weekly by 3:00pm EST on the Tuesday of each week, a Borrowing Base Certificate setting out the calculation of the Borrowing Base as at the last day of the month or week (as applicable) just ended, together with an aged listing of the Borrowers' accounts receivable, accounts payable and inventory (with a breakdown of raw materials, finished goods and work-in-progress). If the Borrowers exercise the option to deliver a Borrowing Base Certificate on a weekly basis in accordance with this Section 10.2.8, the Borrowers shall be required to continue to deliver a Borrowing Base Certificate on a weekly basis unless otherwise agreed to by the Lenders.

10.2.9 Hong Kong Account Statements

The Borrowers shall deliver to the Lenders, within 30 days of the end of each month at the time it delivers the Borrowing Base Certificate, all account statements, notices, communications and other documentation received from the account bank in relation to the Hong Kong bank account listed in Schedule 18.

10.2.10 Annual Operating Budget

The Borrowers shall deliver to the Lenders, as soon as available, and in any event no later than 30 days prior to the start of each Fiscal Year a final Annual Operating Budget for such upcoming Fiscal Year as well as any updates to any succession plan previously delivered to the Lenders.

10.2.11 Other Information

Each Obligor shall promptly provide the Lenders with (i) a quarterly update on the status of the litigation listed in Schedule 6; and (ii) such other information as it may reasonably request respecting the Obligors.

10.2.12 13 Week Rolling Cash Flow Forecast

The Borrowers shall deliver to the Lenders, on a weekly basis by 3:00pm EST on the Tuesday of each week delivered consistently, until January 31, 2019 (or such later time the Lenders may require in their sole discretion), a consolidated 13 week rolling cash flow forecast of the Obligors, together with such supporting detail and documentation as shall be requested by the Lenders in their reasonable discretion, which forecast shall include an explanation of all variances from prior forecasts.

10.2.13 Facility 4 Revolver

The Borrowers shall deliver to the Lenders, within 30 days of the end of each month, (i) a list of confirmed Eligible Customer Contracts, the Eligible Pre-Shipment Costs of which have been financed in whole or in part by Facility 4 Revolver, together with an aged listing of the Borrowers' accounts receivable, accounts payable and inventory related to such Eligible Customer Contracts; and (ii) a monthly attestation with a supporting spreadsheet for each Eligible Customer Contract, the Eligible Pre-Shipment Costs of which have been financed in whole or in part by Facility 4 Revolver providing for an update to the information contained in the Notice of Request for Advance with respect to each such Eligible Customer Contract.

10.2.14 Information to EDC

Each Obligor shall promptly provide EDC with copies of any of the financial statements and reports listed in Sections 10.2.5 to 10.2.13 above, upon request from EDC.

10.3 Negative Covenants

So long as this Agreement is in effect, and until the Obligations have been paid in full (other than unasserted contingent obligations for indemnification or reimbursement), and except as otherwise permitted by the prior written consent of the Lenders, the Borrowers shall perform, or shall cause each of the other Obligors to comply with, as applicable, the following covenants:

10.3.1 Disposition of Property

No Obligor shall dispose of, or permit any of its Subsidiaries to dispose of, Property in any Fiscal Year, except for:

- (a) Dispositions in the ordinary course of business of obsolete or excess Property or of any inventory or other assets that are customarily sold by the Obligor on an on-going basis as part of the normal operation of the Business;
- (b) Dispositions of Property between the Obligors, where in each case, the receiving Obligor has granted Security to the Lenders over or in respect of such Property subject only to Permitted Encumbrances; and
- (c) Dispositions of Property on Arm's Length terms and for fair market value if, after giving effect to all such Dispositions in any Fiscal Year, the aggregate Net Proceeds realized from all such Disposition would not exceed in the aggregate in such Fiscal Year, \$50,000.

10.3.2 Operation of Business

No Obligor shall operate the Business in a manner that would reasonably be expected to result in a Material Adverse Effect.

10.3.3 Capital Expenditures

No Obligor shall make any Capital Expenditures, or enter into any agreement which would require any Capital Expenditures other than Permitted Capital Expenditures.

10.3.4 No Consolidation, Amalgamation, etc.

No Obligor shall consolidate, amalgamate or merge with any other Person (other than another Obligor), enter into any corporate reorganization or other transaction intended to effect or otherwise permit a change in its existing corporate or capital structure, liquidate, wind-up or dissolve itself, or permit any liquidation, winding-up or dissolution, or take any action in furtherance of any of the foregoing.

10.3.5 No Change of Name

No Obligor shall change its name without providing the Lenders with thirty (30) days prior written notice thereof.

10.3.6 No Debt

No Obligor shall create, incur, assume or permit any Debt to remain outstanding, other than Permitted Debt.

10.3.7 No Investments

No Obligor shall make, directly or indirectly, Investments other than: (a) Investments in Cash Equivalents; and (b) Investments by any Obligor in any other Obligor.

10.3.8 No Financial Assistance

No Obligor shall give any Financial Assistance other than Financial Assistance in respect of Permitted Debt.

10.3.9 No Distributions

No Obligor shall make any Distribution other than Permitted Distributions.

10.3.10 No Payments on Subordinated Debt

No Obligor shall make any payments, in respect of the SJ Capital Notes, the Vendor Subordinated Debt or any other Subordinated Debt, whether of principal, interest or otherwise, without the prior written consent of the Lenders in their sole discretion.

10.3.11 No Encumbrances

No Obligor shall create, incur, assume or permit to exist any Encumbrance upon any of its Property, except Permitted Encumbrances.

10.3.12 Acquisitions

No Obligor shall make any Acquisitions without the prior written consent of the Lenders.

10.3.13 No Change to Year End

No Obligor shall make any change to its Fiscal Year without providing the Lenders with thirty (30) days prior written notice thereof.

10.3.14 No Continuance

No Obligor shall continue into any other jurisdiction without providing the Lenders with thirty (30) days prior written notice thereof.

10.3.15 Hedge Arrangements

No Obligor shall enter into, or permit to be outstanding at any time, a Hedge Arrangement unless:

- (i) the Hedge Arrangement is a Qualifying Hedge Arrangement;
- (ii) the Hedge Arrangement is designed to protect the Borrowers against fluctuations in currency exchange rates;
- (iii) the Hedge Arrangement has been entered into by the Borrowers *bona fide* and in good faith in the ordinary course of business for the purpose of carrying on the Business and not for speculative purposes; and
- (iv) the term of any Hedge Arrangement does not exceed one (1) year

10.3.16 Location of Assets in Other Jurisdictions

No Obligor shall, except in the case of Property being delivered to a customer in the ordinary course of business as part of the performance of its obligations, or the provision of its services, under a contract entered into with that customer, (a) move any Property from a jurisdiction in which the Encumbrance of the Security over such Property is perfected to a jurisdiction where that Encumbrance is not perfected or where, after a temporary period allowing for registration in such other jurisdiction, that Encumbrance could become unperfected, or (b) suffer or permit in any other manner any of its Property to not be subject to that Encumbrance or to be or become located in a jurisdiction in which that Encumbrance is not perfected, unless:

- (a) the Obligor has first given thirty (30) days prior written notice thereof to the Lenders; and
- (b) the applicable Obligor has executed and delivered to the Lenders all Security and all financing or registration statements deemed necessary or admissible by, and in form and substance satisfactory to the Lenders or Lenders' Counsel in its sole discretion, acting reasonably, to ensure that the Security at all times constitutes a

perfected first priority Encumbrance (subject only to Permitted Encumbrances) over such Property in such jurisdiction, together with any supporting certificates, resolutions, opinions and other documents as the Lenders or Lenders' counsel may deem necessary or desirable in its sole discretion, acting reasonably, in connection with such security and registrations.

10.3.17 Restrictions on Business Activities

No Obligor shall carry on any business other the Business.

10.3.18 No Securities Issuance

No Obligor shall issue any securities unless the Person to whom such securities are issued is an Obligor and then only if the additional securities so issued are concurrently and validly pledged to the Lenders under the Security (along with stock powers of attorney as required by the Lenders) and all resolutions (corporate, shareholder or otherwise) required by the Lenders are delivered to the Lenders, unless otherwise agreed to by the Lenders.

10.3.19 Amendments to Organizational Documents

No Obligor shall amend any of its Organizational Documents in a manner that would be prejudicial to the interests of the Lenders or any of the Lenders under the Credit Documents.

10.3.20 Amendments to Material Licences or Material Contracts

No Obligor shall amend, vary or alter in any material way, consent to any assignment or transfer of, or waive or surrender any of its rights or entitlements, in any Material Licences or Material Contracts where such amendment, assignment or waiver would be reasonably deemed to result in a Material Adverse Effect.

10.3.21 No New Subsidiaries

No Obligor shall create any Subsidiary after the date of this Agreement without the prior written consent of the Lenders.

10.3.22 No Additional Bank Accounts

No Obligor shall, open, maintain or otherwise have any chequing, savings or other accounts at any bank or other financial institution, or any other account where money is or may be deposited or maintained with any Person, other than the accounts set out in Schedule 18 on the Closing Date.

10.3.23 Non-Arm's Length Transactions

No Obligor shall enter into any transaction or series of transactions, whether or not in the ordinary course of business, with any officer, director, shareholder, Subsidiary or Affiliate of any Obligor other than (a) upon terms and conditions that would be obtainable in a comparable Arm's Length transaction and which are approved by the board of directors of the applicable Obligor and fully disclosed in writing to the Lenders if outside the ordinary course of such Obligor's business;

(b) transactions among one or more Obligor; and (c) transactions otherwise permitted by this Agreement.

10.3.24 No Sale Lease Back

No Obligor shall enter into any arrangement with any Person providing for the leasing by the Obligor, as lessee, of Property which has been or is to be sold or transferred to such Person, or to any other Person to whom funds have been or are to be advanced by such Person on the security of such Property or the lease obligation of any Obligor, except that any Obligor may enter into such an arrangement if it is otherwise in compliance with all covenants hereunder, including, if the leaseback of the Property qualifies as a Purchase Money Security Interest or Capital Lease, in compliance with the covenant regarding the maximum amount of Debt in respect of Purchase Money Security Interests and Capital Leases.

10.3.25 No Change of Control

Each Obligor agrees not to take (or fail to take) any action, the result of which would be a Change in Control of any of the Obligors.

10.4 Post Close Undertakings

The Borrowers undertake and agree to deliver to the Lenders, in form and substance satisfactory to the Lenders, unless otherwise waived in writing by the Lenders:

- (a) within 30 days from the Closing Date, a landlord waiver for 53 Bakersfield St. Toronto and a bailee consent for each warehouse location of the Canadian Borrower listed on Schedule 8;
- (b) within 5 Business Days from the Closing Date, certificates of insurance in respect of the insurance policies listed in Schedule 9 noting the Lenders' interest as first loss payee and additional insured; and
- (c) within 30 days from the Closing Date, warrants issued or granted by the U.S. Borrower to the Lenders or a nominee, providing for such warrants to be issued at a nominal price and giving the Lenders (or a nominee) a 75% membership interest in the U.S. Borrower if exercised, together with an amendment to the Limited Liability Company Agreement and other constating documents of the U.S. Borrower with respect to such warrants and a corresponding legal opinion from Borrowers' Counsel.

ARTICLE 11 - SECURITY

11.1 Form of Security

Subject to the exceptions noted below, each Obligor agrees to provide, or cause to be provided, in favour of the Lenders the security and other documents listed below which shall be held by the Lenders as continuing security for the payment and performance of all present and

future, direct and indirect obligations of the Obligors to the Lenders, including but not limited to all Obligations arising under this Agreement:

- 11.1.1 a general security agreement granting a first priority Encumbrance over all present and future property, assets and undertaking (including without limitation Intellectual Property);
- 11.1.2 an unlimited guarantee and a postponement of claim guaranteeing the due payment and performance to the Lenders of all of the Borrowers' present and future Obligations;
- 11.1.3 a securities pledge agreement from each Obligor in favour of the Lenders constituting a first priority Encumbrance over all shares in the capital stock of all its present and future Subsidiaries (other than the Hong Kong Guarantor of which 65% of its voting shares and 100% of its non-voting shares will be pledged);
- 11.1.4 a limited recourse guarantee and securities pledge agreement from SJ Capital Partners V, LLC of all present and after acquired securities held by it in the U.S. Borrower;
- 11.1.5 security granted by the Canadian Borrower under section 427 of the Bank Act (Canada) in favour of the Lenders;
- 11.1.6 assignments of all policies of insurance in respect of the assets subject to the foregoing security, in such amounts and containing such terms and conditions as are acceptable to the Lenders;
- 11.1.7 assignment of key man life insurance with respect to Carter Pennington in favour of the Lenders;
- 11.1.8 indemnity agreements in respect of all Letters of Credit issued by the Lenders from time to time for the account of the either Borrower, in the Lenders' standard form;
- 11.1.9 assignment of rights under all Material Agreements together with acknowledgements and consents from the Persons which are the parties to such Material Agreements;
- 11.1.10 environmental checklists and indemnities by the Borrower for each of its Leased Properties;
- 11.1.11 a Landlord Agreement in respect of each of its Leased Properties;
- 11.1.12 the EDC Guarantee; and
- 11.1.13 such other security as may be reasonably required by the Lenders from time to time.

11.2 Insurance Assignment

Each Obligor, or the appropriate Obligor if blanket insurance policies are held, will cause the Lenders to be shown as first loss payee and additional insured with respect to all insurance on the Property of each Obligor.

11.3 After-Acquired Property and Further Assurances

Each Obligor shall from time to time execute and deliver, and shall cause each other Obligor to execute and deliver, all such further deeds or other instruments of conveyance, assignment, transfer, mortgage, pledge or charge in connection with all assets acquired by any of them and intended to be subject to the Security (including any net insurance proceeds from claims in respect of such assets) as may be requested by the Lenders from time to time.

11.4 Release of Security

At such time as all Obligations shall have been paid in full (other than unasserted contingent obligations for indemnification or reimbursement), and the Revolving Facility has been terminated or cancelled, the Lenders shall, at the expense and request of the Borrowers, without any representations, warranties or recourse of any kind whatsoever (save and except for confirmation that the Lenders have not made any prior assignment of the Security), enter into such agreements and other instruments as may be necessary or of advantage to release, reassign, reconvey and discharge the Security; provided that any asset which is disposed of by any Obligor in accordance with the terms of this Agreement shall be released from the Security by the Lenders following a written request by, and at the expense of, the Borrowers.

ARTICLE 12 - DEFAULT

12.1 Events of Default

Without prejudice to the rights of the Lenders to make a Demand at any time, the occurrence of any one or more of the following events (each an "**Event of Default**") shall constitute a default under this Agreement:

- (a) the failure of an Obligor to pay any amount of principal of any Advance when due;
- (b) the failure of an Obligor to pay any amount of interest on any Advance when due and such failure is not cured within three (3) days;
- (c) the failure of an Obligor to observe or perform any of the Financial Covenants in Section 10.2;
- (d) the failure of an Obligor to in any material respect observe or perform any covenant or obligation applicable to it under the Letter of Credit and Reimbursement Agreement and such failure is not cured (where such failure is capable of being cured) within five (5) days (and provided that where a covenant or obligation already is qualified by materiality, no further qualification of materiality shall apply in respect thereof);

- (e) the failure of an Obligor to in any material respect observe or perform any covenant or obligation applicable to it under this Agreement or any other Credit Document (other than a covenant or condition whose breach or default in performance is specifically dealt with elsewhere in this Section 12.1) and such failure is not cured (where such failure is capable of being cured) within five (5) days (and provided that where a covenant or obligation already is qualified by materiality, no further qualification of materiality shall apply in respect thereof);
- (f) any representation or warranty made by any Obligor in this Agreement, any other Credit Document or in any certificate or other document at any time delivered hereunder to the Lenders was incorrect or misleading in any material respect when made;
- (g) save as provided in Subsections (a) and (b) above, the failure of an Obligor:
 - (i) to make any payment when such payment is due and payable to any Person in relation to any Debt in excess of \$50,000 following the expiry of any applicable cure period; or
 - (ii) to observe or perform any other agreement or condition in relation to any Debt in excess of \$50,000 to any Person, or contained in any instrument or agreement evidencing, securing or relating thereto or any other event shall occur or condition exist, the effect of which default or other condition is to cause, or to permit the holder of such Debt to cause such Debt to become due prior to its stated maturity date;
- (h) the occurrence of a Change of Control;
- (i) the occurrence of a Material Adverse Effect;
- (j) the cessation or proposed cessation by an Obligor of its business (save and except for any cessation of any transition services provided or received as part of the Target Purchase Agreements) generally or the admission by an Obligor of its inability to, or, its actual failure to, pay its debts generally as they become due;
- (k) the denial by any Obligor of its obligations under any Credit Document, or the claim by any Obligor that any of the Credit Documents is invalid or has been withdrawn in whole or in part;
- (l) the enactment of any legislation or the entering or obtaining of any decree or order of a court, statutory board or commission which renders any of the Credit Documents or any material provision of any of them unenforceable, unlawful or otherwise changed, if any Obligor does not, within thirty (30) days of receipt of notice of the Credit Document or material provision becoming unenforceable, unlawful or otherwise changed, replace the Credit Document with a new agreement that is in form and substance satisfactory to the Lenders in their sole discretion, acting reasonably, or amend the Credit Document to the satisfaction of the Lenders in their sole discretion, acting reasonably;

- (m) the entering or obtaining of a decree or order of a court of competent jurisdiction adjudging an Obligor a bankrupt or insolvent, or approving as properly filed a petition seeking the winding-up of an Obligor under the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada), the United States Bankruptcy Code or the *Winding Up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws or issuing sequestration or process of execution against any substantial part of the assets of an Obligor or ordering the winding up or liquidation of its affairs unless the same is being contested actively and diligently in good faith by appropriate and timely proceedings and is dismissed, vacated or permanently stayed within fifteen (15) days of institution;
- (n) the insolvency of an Obligor, or the making by an Obligor of an assignment in bankruptcy, or any other assignment for the benefit of creditors, or any proposal under the *Bankruptcy and Insolvency Act* (Canada) or any comparable law, or the seeking of relief under the *Companies' Creditors Arrangement Act* (Canada), the United States Bankruptcy Code, the *Winding Up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous law, or where an Obligor is adjudged bankrupt, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, sequestrator or other Person with similar powers of itself or of all or any substantial portion of its assets, or files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar Law affecting creditors' rights or consents to the filing of such a petition;
- (o) the filing or instituting of any proceeding by or against an Obligor seeking to have an order for relief entered against that Obligor as debtor or to adjudicate it bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors (including, without limitation, the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors Arrangement Act* (Canada), the United States Bankruptcy Code and the *Winding-Up and Restructuring Act* (Canada), or seeking appointment of a receiver, trustee, custodian or other similar official for such Obligor or for any substantial part of its properties or assets unless the same is being contested actively and diligently in good faith by appropriate and timely proceedings and is dismissed, vacated or permanently stayed within 60 days of institution;
- (p) the taking of possession by an Encumbrancer, by appointment of a receiver, receiver and manager, or otherwise, of Property of any Obligor having a fair market value in excess of \$50,000 and such action is not being contested in good faith and by appropriate proceedings or, if so contested such possession or enforcement proceedings continue for more than fifteen (15) days;

- (q) the entering or obtaining of a final judgment or decree for the payment of money due against an Obligor in an amount in excess of \$250,000 if that judgment or decree is not vacated, discharged or stayed pending appeal within the applicable appeal period;
- (r) the institution of any steps by any Obligor or any applicable regulatory authority to terminate a Canadian Pension Plan or US Pension Plan (wholly or in part) if, as a result of such termination, any Obligor may be required to make an additional contribution to such Canadian Pension Plan or US Pension Plan, or to incur an additional liability or obligation to such Canadian Pension Plan or US Pension Plan, equal to or in excess of \$100,000 or the equivalent thereof in another currency;
- (s) a contribution failure occurs with respect to any US Pension Plan maintained by any Obligor sufficient to give rise to a lien or charge under Section 302(f) of ERISA or under any applicable pension benefits legislation in any other jurisdiction;
- (t) the loss by any of the Security of its status as a valid and perfected first priority security interest subject only to Permitted Encumbrances, if the Obligors have failed to remedy this default within the earlier of fifteen (15) Business Days from the date:
 - (i) an Obligor becomes aware, using reasonable due diligence of such default; and
 - (ii) the Lenders deliver written notice of the default to the Obligors;
- (u) the denial by EDC of its obligations under the EDC Guarantee, or the claim by EDC that the EDC Guarantee is invalid or has been withdrawn in whole or in part, or if the EDC Guarantee for any reason fails to remain in full force and effect.

12.2 Acceleration and Termination of Rights

Without prejudice to the rights of the Lenders to demand payment of the Obligations at any time, in the event that any Event of Default occurs, all Obligations (other than in connection with any Qualifying Hedge Arrangements) shall, at the option of the Lenders, become immediately due and payable with interest, at the rate or rates determined as provided in this Agreement, to the date of their actual payment, all without notice, presentment, protest, demand, notice of dishonour or any other demand or notice whatsoever, all of which are hereby expressly waived by the Borrowers. In that event, the Security shall become immediately enforceable and the Lenders may, in their sole discretion, exercise any right or recourse and/or proceed by any action, suit, remedy or proceeding against any Obligor authorized or permitted by Law for the recovery of all the Obligations, and proceed to exercise any and all rights hereunder and under the Security, and no such remedy for the enforcement of the rights of the Lenders shall be exclusive of, or dependent on, any other remedy, but any one or more of such remedies may from time to time be exercised independently or in combination.

12.3 Remedies Cumulative

For greater certainty, it is expressly understood and agreed that the rights and remedies of the Lenders under this Agreement or under any other Credit Document are cumulative and are in addition to, and not in substitution for, any rights or remedies provided by Law or by equity; and any single or partial exercise by the Lenders of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or other Credit Document shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Lenders may be lawfully entitled for such default or breach.

12.4 Termination of Lender's Obligations

Following demand by the Lenders or upon the occurrence of an Event of Default, the Lenders shall be relieved of all obligations to provide any further Advances for so long as the demand has not been withdrawn or the Event of Default continues, as applicable.

12.5 Saving

The Lenders shall not have any obligation to the Obligors or any other Person to realize any collateral or enforce the Security or any part thereof or to allow any of the collateral to be sold, dealt with or otherwise disposed of. The Lenders shall not be responsible or liable to the Obligors or any other Person for any loss or damage upon the realization or enforcement of, the failure to realize or enforce the collateral or any part thereof or the failure to allow any of the collateral to be sold, dealt with or otherwise disposed of or for any act or omission on their part or on the part of any director, officer, agent, servant or adviser in connection with any of the foregoing, except that the Lenders may be responsible or liable for any loss or damage arising from their wilful misconduct or gross negligence.

12.6 Perform Obligations

Following demand by the Lenders or upon the occurrence of an Event of Default which is continuing, and if any Obligor has failed to perform any of its covenants or agreements in the Credit Documents, the Lenders may, but shall be under no obligation to, perform any such covenants or agreements in any manner deemed fit by the Lenders without thereby waiving any rights to enforce the Credit Documents. The reasonable expenses (including any reasonable legal costs) incurred by the Lenders in respect of the foregoing shall be an Obligation and shall be secured by the Security.

12.7 Third Parties

No Person dealing with the Lenders or any of their agents shall be concerned to inquire whether the Security has become enforceable, or whether the powers which the Lenders are exercising are exercisable by it, or whether any Obligations remain outstanding upon the Security thereof, or as to the necessity or expediency of the stipulations and conditions subject to which any sale shall be made, or otherwise as to the propriety or regularity of any sale or other disposition or any other dealing with the collateral charged by such Security or any part thereof.

12.8 Set-Off or Compensation

In addition to, and not in limitation of, any rights now or hereafter granted under Applicable Law, if repayment is accelerated pursuant to Section 12.2, the Lenders may, at any time without notice to any Obligor or any other Person, the right to receive any notice being expressly waived by each Obligor, set-off and compensate and apply any and all deposits, general or special, time or demand, provisional or final, matured or unmatured, and any other indebtedness at any time owing by the Lenders to or for the credit of or the account of an Obligor, against and on account of the Obligations, notwithstanding that any of them are contingent or unmatured.

12.9 Application of Payments

Notwithstanding any other provisions of this Agreement, following demand by the Lenders or after the occurrence and during the continuance of an Event of Default, all payments made by an Obligor under this Agreement or in respect of Qualifying Hedge Arrangements, or from the proceeds of realization of any Security, or otherwise collected or received by the Lenders on account of amounts outstanding with respect to any of the Obligations, shall be paid over or delivered to make the following payments (as the same become due at maturity, by acceleration or otherwise):

- (a) first, to payment of any reasonable fees owed to the Lenders hereunder or under any other Credit Document;
- (b) second, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation reasonable legal fees) of the Lenders in connection with enforcing the rights of the Lenders under the Credit Documents;
- (c) third, to the payment of all Obligations consisting of default interest;
- (d) fourth, to the payment of all Obligations consisting of non-default interest;
- (e) fifth, to the payment, pro rata, of all other Obligations; and
- (f) sixth, to the payment of the surplus, if any, to whomever may be lawfully entitled to receive such surplus.

12.10 Consultant

The Borrowers agree that, at any time after the occurrence of and during the continuance of an Event of Default and upon written request delivered by the Lenders, they shall appoint a financial consultant (hereinafter referred to as the “**Consultant**”) for the purposes of reviewing the operations of the Obligors from time to time thereafter. The terms of the Consultant’s scope of duties, including appropriate covenants regarding confidentiality, shall be settled by the Borrowers with the consent of the Lenders, provided that such terms may be settled by the Lenders if agreement with the Borrowers is not reached within five (5) days of the date of the Lenders’ request. The Borrowers consent, and shall cause each Obligor to consent, at all times to a free exchange of information or the particulars of any such information exchanged at any time.

ARTICLE 13 - COSTS, EXPENSES AND INDEMNIFICATION

13.1 Costs and Expenses

The Borrowers shall pay promptly upon receipt of written notice from the Lenders all reasonable costs and expenses in connection with the preparation, execution and delivery of this Agreement, the other Credit Documents and the other instruments, certificates and documents to be delivered under this Agreement or the other Credit Documents, whether or not a closing has occurred or any Drawdown has been made under this Agreement, including, without limitation, the reasonable fees and out-of-pocket expenses of Lenders' Counsel with respect thereto and with respect to advising the Lenders as to their rights and responsibilities under this Agreement and the other Credit Documents to be delivered under this Agreement. The Borrowers further agree to pay all reasonable costs and expenses in connection with the preparation or review of waivers, consents and amendments requested by the Borrowers, questions of interpretation of this Agreement, and in connection with the establishment of the validity and enforceability of this Agreement and the preservation or enforcement of rights of the Lenders under this Agreement, and other documents to be delivered under this Agreement, including, without limitation, all reasonable costs and expenses sustained by the Lenders as a result of any failure by any of the Obligor to perform or observe any of their respective obligations under this Agreement, together with interest at the rate for Prime Rate Advance at such time from and after the 20th Business Day of having been given notice by the Lenders, if payment is not made by that time. Such costs and expenses shall be payable whether or not an Advance is made under this Agreement.

13.2 Indemnification

- (a) In addition to any liability of the Borrowers to the Lenders under any other provision of this Agreement, the Borrowers covenant to indemnify, without duplication, the Lenders and hold each of them harmless against any reasonable loss or expense incurred by them as a result of:
 - (i) any Obligor's failure to fulfil any of its Obligations including, without limitation, any cost or expense incurred by reason of the liquidation or re-employment in whole or in part of deposits or other funds required by the Canadian Lender to fund any Letter of Credit, as a result of the failure of the Borrowers to complete a Drawdown or to make any payment, repayment or prepayment on the date required hereunder or specified by it in any notice given hereunder;
 - (ii) the failure of the Borrowers to give any notice required to be given by it to the Lenders under this Agreement;

provided that any such indemnity shall not extend to losses or expenses arising from the Lenders' own gross negligence, bad faith or wilful misconduct.
- (b) A certificate of the Lenders as to the amount of any such loss or expense shall be *prima facie* evidence as to the amount thereof, in the absence of manifest error. The

agreements in this Section 13.2 shall survive the termination of this Agreement and repayment of the Obligations.

13.3 Specific Environmental Indemnification

In addition to any liability of the Borrowers under any other provision of this Agreement, the Borrowers covenant to defend and indemnify and hold harmless the Lenders and each of their respective directors, officers, employees and representatives (collectively the “**Indemnified Parties**” and individually an “**Indemnified Party**”) at all times from and against any and all losses, damages and costs (including reasonable legal fees and expenses) resulting from any legal action commenced or claim made by a third party, or administrative order issued by a Governmental Authority against the Lenders related to or as a result of actions on the part of any Obligor related to, or as a consequence of, environmental matters or a failure to comply with Requirements of Environmental Law. The Obligors shall have the sole right, at their expense, to control any such legal action or claim and to settle on terms and conditions approved by them and approved by the party named in such legal action or claim acting reasonably provided that if, in the opinion of the Lenders the interests of the Lenders are different from those of the Obligors in connection with such legal action or claim, the Lenders shall have the sole right, at the expense of the Borrowers, to defend their own interests provided that any settlement of such legal action or claim shall be on terms and conditions approved by the Borrowers, acting reasonably. If no Obligor defends the legal action or claim, the Lenders shall have the right to do so on their own behalf, at the expense of the Obligors. The defence and indemnity obligations contained throughout this Agreement shall survive the termination of this Agreement and repayment of the Obligations.

13.4 Specific Third Party Claim Indemnification

In addition to any liability of the Borrowers to the Lenders under any other provision of this Agreement, the Borrowers covenant to indemnify and hold harmless the Indemnified Parties from and against any and all actions, proceedings, claims, assessments in respect of required withholding losses, damages, liabilities, expenses and obligations of any kind that may be incurred by, or asserted against, any of them by any third party, including any Governmental Authority, as a result of, or in connection with, the entering into of this Agreement or the other Credit Documents or the transactions therein contemplated, other than any claim (a) arising from the gross negligence or wilful misconduct of an Indemnified Party or (b) related to Taxes. Whenever any such claim arises, an Indemnified Party (if not the Lenders) shall promptly notify the Lenders, and the Lenders shall in turn promptly notify the Borrowers of the claim and, when known, the facts constituting the basis for the claim, and if known, the amount or an estimate of the amount of the claim. The failure of an Indemnified Party to promptly give notice of a claim shall not adversely affect the Indemnified Party's rights to indemnity, except to the extent such failure adversely affects the right of the Obligors to assert any reasonable defence to the claim. An Indemnified Party shall not settle or compromise any claim by a third party for which it is entitled to indemnification under this Section 13.4 without the prior written consent of the Borrowers (which consent shall not be unreasonably withheld). The Borrowers, at their sole cost and expense, may, upon written notice to the applicable Indemnified Parties, assume the defence of any such claim or any legal proceeding resulting therefrom, with counsel satisfactory to the applicable Indemnified Parties in their sole discretion, acting reasonably, but shall not settle or compromise any such claim or any legal proceeding resulting therefrom without the prior written consent of the applicable

Indemnified Parties (which consent shall not be unreasonably withheld). The applicable Indemnified Parties shall be entitled to participate in (but not control) the defence of any action, with their own counsel and at their own expense. If the Borrowers do not assume the defence of any claim or litigation resulting therefrom, the applicable Indemnified Parties may defend against that claim or litigation using one set of counsel for those Indemnified Parties, in the manner as they deem appropriate and at the expense of the Borrowers, including, but not limited to, settling the claim or litigation, after giving notice of the proposed settlement to, and receiving the consent to the proposed settlement of, the Borrowers (which consent shall not be unreasonably withheld). In that case the Borrowers shall be entitled to participate in (but not control) the defence of the action, with their own counsel and at their own expense. The defence and indemnity obligations contained throughout this Agreement shall survive the termination of this Agreement and repayment of the Obligations.

ARTICLE 14 - CHANGE OF LAW

14.1 Change of Law

In the event of any change after the date hereof in any Applicable Law, rule, guideline, regulation, treaty or official directive (whether or not having the force of law) or in the interpretation or application thereof by any court or by any governmental agency, central bank or other authority or entity charged with the administration thereof (a "**Change of Law**") which now or hereafter (a) subjects the Lenders to any Tax or changes the basis of taxation (other than in respect of Excluded Taxes), or increases any existing Tax, on payments of principal, interest, fees or other amounts payable by the Borrowers to the Lenders under any Credit Document; (b) imposes, modifies or deems applicable any reserve, special deposit or similar requirements against assets held by, or deposits in or for the account of or loans by or any other acquisition of funds by, an office of the Lenders; or (c) imposes on the Lenders or requires there to be maintained by the Lenders any capital adequacy or additional capital requirements in respect of any Advances or any other condition with respect to any Credit Document, and the result of any of the foregoing shall be to increase the cost (or result in the imposition of a Tax or other cost) to, or reduce the amount of principal, interest or other amount received or receivable by the Lenders hereunder or its effective return hereunder in respect of making, maintaining or funding its participation in such Advance under the Credit Facilities, the Lenders shall determine that amount of money which shall compensate the Lenders for such increase in cost or reduction in income (herein referred to as "**Additional Compensation**"). Upon the Lenders having determined that they are entitled to Additional Compensation in accordance with the provisions of this Section 14.1, the Lenders shall promptly so notify the Borrowers. The Lenders shall provide to the Borrowers a photocopy of the relevant law, rule, guideline, regulation, treaty or official directive and a certificate of a duly authorized officer of the Lenders setting forth the Additional Compensation and the basis of calculation therefor, which shall be conclusive evidence of such Additional Compensation in the absence of manifest error. The Borrowers shall pay to the Lenders within ten (10) Business Days of the giving of such notice the Lenders' Additional Compensation calculated to the date of such notification. The Lenders shall be entitled to be paid such Additional Compensation from time to time to the extent that the provisions of this Section 14.1 are then applicable notwithstanding that the Lenders have previously been paid any Additional Compensation. The Lenders shall endeavour to limit the incidence of any such Additional Compensation, including seeking recovery for the

account of the Borrowers, by appealing any assessment at the expense of the Borrowers upon their request and will not seek Additional Compensation from the Borrowers.

Notwithstanding the foregoing, for purposes of this Agreement (a) all requests, rules, guidelines or directives in connection with the Dodd-Frank Act shall be deemed to be a Change in Law, regardless of the date enacted, adopted or issued; and (b) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or any Governmental Authority shall be deemed a Change in Law regardless of the date enacted, adopted or issued.

14.2 Prepayment of Rateable Portion

Notwithstanding the provisions hereof, if the Lenders give the notice provided for in Section 14.1 with respect to any Advance (an "**Affected Loan**"), the Borrowers may, upon ten (10) Business Days' notice to that effect given to the Lenders (which notice shall be irrevocable), prepay in full without penalty the Affected Loan outstanding together with accrued and unpaid interest on the principal amount so prepaid up to the date of such prepayment and such Additional Compensation as may be applicable to the date of such payment and all costs, losses and expenses incurred by the Lenders by reason of the liquidation or re-employment of deposits or other funds or for any other reason whatsoever resulting from the repayment of such Affected Loan or any part thereof on other than the last day of the applicable Interest Period, and upon such payment being made the Lenders' obligations to make such Affected Loans to the Borrowers under this Agreement shall terminate.

14.3 Illegality

If after the date hereof the adoption of any Applicable Law, regulation, treaty or official directive (whether or not having the force of law) or any change therein or in the interpretation or application thereof by any court or by any governmental or other authority or central bank or comparable agency or any other entity charged with the interpretation or administration thereof or compliance by the Lenders with any request or direction (whether or not having the force of law) of any such authority, central bank or comparable agency or entity, now or hereafter makes it unlawful or impossible for the Lenders to make, fund or maintain an Advance under the Credit Facilities or to give effect to its obligations in respect of such an Advance, the Lenders may, by written notice thereof to the Borrowers declare their obligations under this Agreement to be terminated whereupon the same shall forthwith terminate, and the Borrowers shall prepay within the time required by such law (or at the end of such longer period as the Lenders at their discretion have agreed) the principal of such Advance together with accrued interest, such Additional Compensation as may be applicable to the date of such payment and all costs, losses and expenses incurred by the Lenders by reason of the liquidation or re-employment of deposits or other funds or for any other reason whatsoever resulting from the repayment of such Advance or any part thereof on other than the last day of the applicable Interest Period.

ARTICLE 15 - SUCCESSORS AND ASSIGNS AND ADDITIONAL LENDERS

15.1 Successors and Assigns

- (a) The Credit Documents shall be binding upon and enure to the benefit of the Lenders, the Obligors and their successors and assigns, except that no Obligor shall assign any rights or obligations with respect to this Agreement or any of the other Credit Documents without the prior written consent of the Lenders.
- (b) The rights and obligations of the Lenders under this Agreement are assignable in whole or in part and the Lenders shall be entitled to assign in whole or in part their rights and obligations hereunder or to permit other financial institutions or loan funds established for the purpose of acquiring loans to participate in the Credit Facilities, all in accordance with the provisions of this Section 15.1, Section 15.2 and the other terms of this Agreement. The Borrowers hereby consent to the disclosure of any Information to any potential participant provided that the potential participant agrees in writing to keep the Information confidential.
- (c) Each such assignment made prior to demand by the Lenders or the occurrence and continuance of an Event of Default only shall not result in any increased costs or taxes for which the Borrowers would be responsible.
- (d) Prior to demand by the Lenders or the occurrence of an Event of Default, without the prior written consent of the Borrowers, no such assignment may be made, nor the information referred to in Section 15.1(b) provided, to a competitor of the Borrowers.
- (e) A participation by a Lender of its interest (or a part thereof) hereunder or a payment by a participant to a Lender as a result of the participation will not constitute a payment hereunder to a Lender or an Advance to the Borrowers.

15.2 Participations

The Lenders may (subject to the provisions of Section 15.1) sell participation to one or more banks, financial institutions or other Persons in or to all or a portion of their rights and obligations under this Agreement, but the participant shall not become the Lenders and:

- (a) the Lenders' obligations under this Agreement shall remain unchanged;
- (b) the Lenders shall remain solely responsible to the other parties hereto for the performance of such obligations;
- (c) the Borrowers shall continue to deal solely and directly with the Lenders in connection with the Lenders' rights and obligations under this Agreement; and
- (d) no participant shall have any right to approve any amendment or waiver of any provision of this Agreement, or any consent to any departure by any Person therefrom.

ARTICLE 16 - GENERAL

16.1 Amendment and Restatement of Original Credit Agreement

- 16.1.1 This Agreement amends, consolidates, supplements and restates the provisions of the Original Credit Agreement and shall not be considered a novation thereof or of any indebtedness or other obligations owing to the Lenders under the Original Credit Agreement. Any provision hereof which differs from or is inconsistent with a provision of the Original Credit Agreement constitutes an amendment to the Original Credit Agreement with each such amendment being effective as and from the date hereof. This Agreement will not discharge or constitute a novation of any debt, obligation, covenant or agreement contained in the Original Credit Agreement or in any other Credit Documents executed and delivered by or on behalf of the Obligors, or any of them, but the same shall remain in full force and effect except to the extent that the same have been amended by the provisions of this Agreement. All representations and warranties set out in this Agreement are freshly made on the date hereof except to the extent made as of a specific date referred to therein, but nothing herein shall release or otherwise affect Obligors' liability in connection with the representations and warranties contained in the Original Credit Agreement. For greater certainty, the Lenders have not waived the Existing Defaults, and nothing contained in this Agreement or the transactions contemplated by this Agreement will be deemed to constitute any such waiver.
- 16.1.2 The parties confirm that none of the outstanding loans, obligations and Advances (as defined in the Original Credit Agreement) has been repaid or replaced by new obligations as a result of this Agreement. All of those outstanding loans, obligations and Advances shall be deemed to be Advances under this Agreement, and all of the Obligations (as defined in the Original Credit Agreement) are Obligations under this Agreement. All Existing Letters of Credit shall be deemed to have been issued as Letters of Credit under this Agreement, and from and after the date hereof shall be subject to and governed by the terms and conditions hereof.
- 16.1.3 Each Obligor acknowledges and confirms that any Security executed and delivered by it in connection with the Original Credit Agreement or this Agreement shall continue to secure all of the Obligations, direct or indirect, absolute or contingent, matured or not, which are now or hereafter become due or accruing due under or in connection with the Credit Documents to which it is a party.
- 16.1.4 Each Obligor acknowledges and confirms that the Credit Documents executed and delivered by it in connection with the Original Credit Agreement or this Agreement remain in full force and effect and continue

to be valid, binding and enforceable against it and its property in accordance with their respective terms.

16.2 Exchange and Confidentiality of Information

- (a) The Borrowers agree that the Lenders may provide (i) EDC; and (ii) any assignee or participant pursuant to Article 15 with any information concerning the financial condition of the Obligors.
- (b) Subject to Section 16.2(a), the Lenders acknowledge the confidential nature of the financial, operational and other information and data provided and to be provided to it by the Obligors, or any one of them pursuant to this Agreement (the “**Information**”) and agree to use all reasonable efforts to prevent its disclosure, provided, however, that:
 - (i) it may disclose all or any part of the Information if, in its opinion, such disclosure is required in connection with any actual or threatened judicial, administrative or governmental proceeding, provided reasonable prior notice of such requirement is given to the Borrowers so that the Borrowers are afforded an opportunity to seek a protective order in respect of any such information; and
 - (ii) it shall incur no liability in respect of any disclosure of Information to any, or pursuant to the requirements of any, judicial authority, law enforcement agency or taxation authority, provided reasonable prior notice of such requirement is given to the Borrowers so that the Borrowers are afforded an opportunity to seek a protective order in respect of any such information.

16.3 Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by facsimile or similar means of recorded electronic communication or sent by registered mail, charges prepaid, addressed as follows:

- (i) if to the Lenders:

Bank of Montreal
First Canadian Place
100 King St. W., 11th Floor
Toronto, Ontario M5X 1A1

Attention:
Facsimile No.:
Email:

- (ii) if to the Borrowers or to any other Obligor:

Best Made Toys LLC / Best Made Toys International, ULC
25 High Meadows Road,
Mount Kisco, NY 10549

Attention: Chairman
Facsimile No.: (707) 667-4924
Email: scott@sjpartners.com

Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day, on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means of recorded electronic communication as aforesaid.

Any Party may at any time change its address for service from time to time by giving notice to the other Parties in accordance with this Section 16.3.

16.4 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without prejudice to or limitation of any other rights or remedies available under the laws of any jurisdiction where Property or assets of any of the Obligor may be found.

16.5 Judgment Currency

- (a) If for the purpose of obtaining or enforcing judgment against any Obligor in any court in any jurisdiction, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 16.5 referred to as the “**Judgment Currency**”) an amount due in Canadian Dollars under this Agreement, the conversion shall be made at the rate of exchange prevailing on the Business Day immediately preceding:
- (i) the date of actual payment of the amount due, in the case of any proceeding in the courts of the Province of Ontario or in the courts of any other jurisdiction that will give effect to such conversion being made on such date; or
 - (ii) the date on which the foreign court determines, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such conversion is made pursuant to this Section 16.5 being hereinafter in this Section 16.5 referred to as the “**Judgment Conversion Date**”).

- (b) If, in the case of any proceeding in the court of any jurisdiction referred to in Section 16.5(a), there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual payment of the amount due, the applicable Obligor shall pay such additional amount (if any, but in any event not a lesser amount) as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of Canadian Dollars which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial order at the rate of exchange prevailing on the Judgment Conversion Date.
- (c) Any amount due from an Obligor under the provisions of Section 16.5 shall be due as a separate debt and shall not be affected by judgment being obtained for any other amounts due under or in respect of this Agreement.
- (d) The term “**rate of exchange**” in this Section 16.5 means the noon rate of exchange based on Canadian interbank transactions in Canadian Dollars in the Judgment Currency published or quoted by the Bank of Canada for the day in question, or if such rate is not so published or quoted by the Bank of Canada, such term shall mean the Equivalent Amount of the Judgment Currency.

16.6 Anti-Money Laundering Legislation

The Borrowers acknowledge that, pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and other applicable anti-money laundering, anti-terrorist financing, government sanction and “know-your-client” laws (collectively, including any guidelines or orders thereunder, “**AML Legislation**”), the Lenders may be required to obtain, verify and record information regarding the Borrowers, its directors, authorized signing officers, direct or indirect shareholders or other Persons in control of the Borrowers, and the transactions contemplated hereby. The Borrowers shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by the Lenders, or any prospective assignee or participant of the Lenders in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

16.7 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

16.8 Entire Agreement

This Agreement, including all its attached Schedules, along with the Credit Documents, constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided. No reliance is placed by any Party hereto on any warranty,

representation, opinion, advice or assertion of fact made by any Party hereto or its directors, officers, employees or agents, to any other Party hereto or its directors, officers, employees or agents except to the extent that the same has been reduced to writing and included in this Agreement.

16.9 Further Assurances

Each of the Obligors and the Lenders shall promptly cure any default by it in the execution and delivery of this Agreement, the Credit Documents or any other agreements provided for in this Agreement to which it is a party. The Borrowers, at their own expense, shall or shall cause the other Obligors, as applicable, to promptly execute and deliver to the Lenders, upon request by the Lenders, all further documents, agreements, opinions, certificates and instruments in compliance with, or accomplishment of the covenants and agreements of the Obligors under this Agreement or the other Credit Documents, or more fully to state the obligations of such Obligor as set forth in this Agreement or other Credit Documents or to make any recording, file any notice or obtain any consent, all as may be required by the Lenders, acting reasonably, in connection with this Agreement or the other Credit Document from time to time.

16.10 Waiver of Jury Trial

THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE LENDERS OR OF THE OBLIGORS. THE PARTIES HERETO ACKNOWLEDGE AND AGREE THAT THEY HAVE RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER CREDIT DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDERS ENTERING INTO THIS AGREEMENT AND EACH OTHER CREDIT DOCUMENT.

16.11 Consent to Jurisdiction

- (a) The parties hereto irrevocably submit to the non-exclusive jurisdiction of the courts of the Province of Ontario and hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such court. The Obligors hereby irrevocably waive, to the fullest extent it may effectively do so, the defence of an inconvenient forum to the maintenance of such action or proceeding.
- (b) The parties hereto hereby irrevocably consent to the service of any and all process in such action or proceeding by the delivery of such process to any Obligor at the Borrowers' address provided in accordance with Section 16.3.

16.12 Non-Merger

The representations, warranties and covenants contained in this Agreement, including any schedule hereto, and in any other Credit Document to be executed and delivered pursuant to this

Agreement or pursuant to such other Credit Documents shall not merge on closing or at the time of the first Advance hereunder and notwithstanding such closing or first Advance, and notwithstanding any investigations made by or on behalf of the Lenders, shall, subject to Section 9.2, continue in full force and effect.

16.13 Time of the Essence

Time shall be of the essence of this Agreement.

16.14 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

16.15 Amendments and Waivers

No amendment, modification of any provision of this Agreement or any other Credit Document, or consent by the Lenders to any departure from any provision of this Agreement or other Credit Document, is in any way effective unless it is in writing and signed by the Borrowers and the Lenders. Any waiver, by the Lenders of the strict observance, performance or compliance with any term, covenant, condition or other matter contained in this Agreement or any other Credit Document and any indulgence granted, by the Lenders shall be effective only if in writing and in the specific instance and for the purpose for which it was given and shall be deemed not to be a waiver of any rights and remedies of the Lenders under this Agreement or any other Credit Document or instrument executed pursuant to this Agreement as a result of any other default or breach under this Agreement or any other Credit Document.

16.16 Paramountcy

In the event of any conflict or inconsistency between any provision of this Agreement and any of the other Credit Documents (save and except for the Letter of Credit and the Reimbursement Agreement), the provisions of this Agreement shall govern to the extent of such conflict or inconsistency.

[signatures contained on next page]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

BEST MADE TOYS LLC

Per: 

Title: Chairman

[signature page to Credit Agreement]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

BEST MADE TOYS INTERNATIONAL,
ULC


Per: 

Title: Chairman

[signature page to Credit Agreement]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.


BEST MADE TOYS HOLDING LLC

Per: 
Title: Director

[signature page to Credit Agreement]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

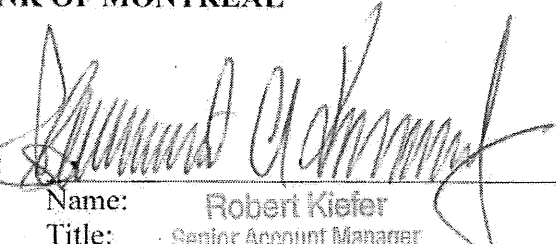
**BEST MADE TOYS GLOBAL ENTERPRISES
LIMITED**

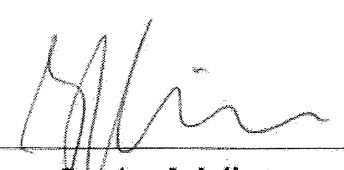
Per: 
Title: Director

[signature page to Credit Agreement]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

BANK OF MONTREAL

Per: 
Name: Robert Kiefer
Title: Senior Account Manager

Per: 
Name: Stanley J. Julien
Title: Managing Director

**BANK OF MONTREAL, acting through its
Chicago Branch**

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____


IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

BANK OF MONTREAL

Per: _____
Name:
Title:

Per: _____
Name:
Title:

**BANK OF MONTREAL, acting through its
Chicago Branch**

Per: 
Name: Randon Gardley
Title: Vice President

Per: _____
Name:
Title:

[signature page to Credit Agreement]

SCHEDULE 1

BORROWING BASE CERTIFICATE

TO: Bank of Montreal and Bank of Montreal, acting through its Chicago Branch

FROM: Best Made Toys LLC and Best Made Toys International, ULC

DATE: •

The undersigned, the [insert title] of Best Made Toys LLC and Best Made Toys International, ULC hereby certifies for and on behalf of Best Made Toys LLC and Best Made Toys International, ULC, in that capacity and not personally, that as of [insert last day of month]:'

1. This Borrowing Base Certificate is delivered to you pursuant to Section 10.2.8 of the amended and restated credit agreement made as of October 4, 2018, between Best Made Toys International, ULC, as Canadian Borrower, Best Made Toys LLC, as U.S. Borrower, Bank of Montreal, as Canadian Lender and Bank of Montreal, acting through its Chicago Branch, as U.S. Lender (as the same may be modified, amended, supplemented, restated and replaced from time to time, the "Credit Agreement"), in respect of the [Fiscal Quarter ended •, 20[•]/[month ended [Insert Date]] (the "Fiscal Period"). All capitalized terms set forth in this Borrowing Base Certificate and not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement.
2. I am familiar with and have examined the provisions of the Credit Agreement and have made reasonable investigations of corporate records and inquiries of other officers and senior personnel of Best Made Toys LLC and Best Made Toys International, ULC. Terms defined in the Credit Agreement have the same meanings where used in this certificate.
3. The Borrowing Base is \$_____, calculated as follows, as set out in the definition of "Borrowing Base" in Section 1.1 of the Credit Agreement:

90% of Eligible Accounts Receivable insured to the full amount A \$ _____

75% of all Eligible Accounts Receivable owed by Account Debtors located in Canada or the United States B \$ _____

Lesser of: 50% of Eligible Inventory and \$3,000,000 C \$ _____

Less: Aggregate of Priority Payables and any Debt constituting a Prior Claim against the Property of any Obligor D \$ _____

Borrowing Base (A + B + C – D) \$ _____

4. Annexed hereto are the following reports in respect of the Borrower:
 - (a) Aged list of accounts receivable,
 - (b) Accounts payable, and
 - (c) Inventory (With a breakdown of raw materials, finished goods and work-in-progress).

DATED as of the date first above written.

BEST MADE TOYS LLC

Per: _____
Name:
Title:

BEST MADE TOYS INTERNATIONAL, ULC

Per: _____
Name:
Title:

SCHEDULE 2

COMPLIANCE CERTIFICATE

TO: Bank of Montreal and Bank of Montreal, acting through its Chicago Branch

FROM: Best Made Toys LLC and Best Made Toys International, ULC

DATE: •

The undersigned, the [Title] of Best Made Toys LLC and Best Made Toys International, ULC hereby certifies for and on behalf of Best Made Toys LLC and Best Made Toys International, ULC, in that capacity and not personally, that:

1. Purpose

This Compliance Certificate is delivered to you pursuant to Section 10.2.7 of the amended and restated credit agreement made as of October 4, 2018, between Best Made Toys International, ULC, as Canadian Borrower, Best Made Toys LLC, as U.S. Borrower, Bank of Montreal, as Canadian Lender and Bank of Montreal, acting through its Chicago Branch, as U.S. Lender (as the same may be modified, amended, supplemented, restated and replaced from time to time, the "**Credit Agreement**"). All capitalized terms set forth in this Compliance Certificate and not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement.

I have read and I am familiar with the provisions of the Credit Agreement and I have made or caused to be made such examinations or investigations, including a review of the applicable books and records of Best Made Toys LLC and Best Made Toys International, ULC as are, in my opinion, necessary to furnish this Compliance Certificate, and I have furnished this Compliance Certificate with the intent that it may be relied upon by the Lenders as a basis for determining compliance by the Obligor with their respective covenants and obligations under the Credit Agreement and the other Credit Documents as of the date of this Compliance Certificate.

2. Representations and Warranties

All of the representations and warranties of each of the Obligor contained in the Credit Agreement and each of the other Credit Documents are true and correct as of the date hereof (except any representations which are stated to be as of a specific date which were true and correct as of such date) with the same force and effect as if made at and as of the date hereof.

3. **Terms, Covenants and Conditions**

All of the terms, covenants and conditions of each of the Obligors contained in the Credit Agreement and each of the other Credit Documents to be performed or complied with by the Obligors, at or prior to the date hereof have been performed or complied with.

4. **Events of Default and Pending Events of Default**

No Event of Default (other than the Existing Defaults) has occurred and is continuing on the date hereof.

5. **Financial Covenants**

A. Financial covenants with respect to the Four Fiscal Quarters ending on [insert applicable date] as computed in Appendix I attached hereto was:

Maximum Total Senior Funded Debt to EBITDA Ratio	Actual performance for quarter ended
[•] – rate applicable to be determined in accordance with Section 10.2.1 of Credit Agreement]	
Minimum Fixed Charge Coverage Ratio	
1.25:1 or higher	

B: Year-to-Date Cumulative EBITDA for _____, 20__ was _____.

6. **Disclosure**

- (a) The particulars of the Material Contracts entered into other than in the ordinary course of business since the date of delivery of the prior Compliance Certificate are set forth in Appendix II.
- (b) The particulars of any material adverse change in, or material adverse amendment to, any Material Contract or termination of a Material Licence other than in the ordinary course of business since the date of delivery of the prior Compliance Certificate are set forth in Appendix III.
- (c) [The particulars of any Capital Expenditures made in [•] are set forth in Appendix IV and such Capital Expenditures do not exceed an aggregate of \$[•].]

IN WITNESS WHEREOF I have signed this Compliance Certificate as of the date first set out above.

BEST MADE TOYS LLC

Per: _____

Name:

Title:

BEST MADE TOYS INTERNATIONAL, ULC

Per: _____

Name:

Title:

APPENDIX I

FINANCIAL COVENANTS

Maximum Total Senior Funded Debt to EBITDA Ratio Elements:

Senior Funded Debt (net of cash held in accounts held with the Lenders up to a maximum of \$2,000,000):

EBITDA:

Fixed Charge Coverage Ratio Elements:

EBITDA:

Unfunded Capital Expenditures:

Dividends paid outside the Consolidated Group:

Cash Taxes in respect of the income of the Consolidated Group:

Expenses capitalized:

Management fees paid to SJ Partners LLC:

Aggregate of all scheduled principal and interest payments made (or required to be made) by any member of the Consolidated Group on account of any Total Debt:

APPENDIX II
MATERIAL CONTRACTS

APPENDIX III
MATERIAL ADVERSE CHANGES

APPENDIX IV
CAPITAL EXPENDITURES

SCHEDULE 3

NOTICE OF REQUEST FOR ADVANCE/CONVERSION

TO: Bank of Montreal and Bank of Montreal, acting through its Chicago Branch

FROM: [Best Made Toys LLC/Best Made Toys International, ULC]

DATE: •

1. This Notice of Request for Advance is delivered to you pursuant to the amended and restated credit agreement made as of October 4, 2018, between Best Made Toys International, ULC, as Canadian Borrower, Best Made Toys LLC, as U.S. Borrower, Best Made Toys Global Enterprises Limited and Best Made Toys Holding LLC, as Guarantors, Bank of Montreal, as Canadian Lender and Bank of Montreal, acting through its Chicago Branch, as U.S. Lender (as the same may be modified, amended, supplemented, restated and replaced from time to time, the "**Credit Agreement**"). All defined terms set forth, but not otherwise defined, in this notice shall have the respective meanings set forth in the Credit Agreement, unless the context requires otherwise.

2. The Borrowers hereby request an Advance as follows:

(a) Date of Advance: _____

(b) Applicable Credit Facility: (check appropriate box)

Facility 1 Revolver ☐

Facility 4 Revolver ☐

Facility 5 ☐

(c) Type and Amount of Advance: (check appropriate box)

☐ **Prime Rate Advance** Cdn \$•

☐ **Prime Rate Advance** US \$•

☐ **U.S. Base Rate Advance** US \$•

☐ **U.S. Prime Rate Advance** US \$•

☐ **Letter of Credit**

Face Amount (US\$)	Date of Issuance	Expiry Date	Beneficiary

Face Amount (Cdn\$)	Date of Issuance	Expiry Date	Beneficiary

3. ***[INCLUDE FOR ADVANCES REQUESTED UNDER FACILITY 4 REVOLVER]*** The Advance requested under Facility 4 Revolver relates to the Eligible Pre-Shipment Costs for the following Eligible Customer Contract(s)*:

Customer Name:	
Contract/Purchase Order Number:	
Total Contract/Purchase Order Value:	
Advance Payments Received from Customer:	
Contract/Purchase Order Delivery Date:	
Billing Date:	
Final Payment Date:	
Total Costs Funded to Date:	
Total Payments Received to Date:	
Eligible Pre-Shipment Costs:	
Net Eligible Costs:	
Margin Percentage:	
Funding Request:	

Payment Terms:	
Current Amount Outstanding:	

*add additional tables as necessary

4. All of the representations and warranties of the Obligors in Article 9 of the Credit Agreement, other than those which by their terms are made only as of a specific date, and other than changes thereto and to the Schedules referred to therein that would not be prohibited pursuant to the Credit Agreement are true and accurate as at the date hereof, as though made on and as of the date hereof.
5. All of the covenants of the Obligors contained in Article 10 of the Credit Agreement together with all of the conditions precedent to the Advances hereby requested and all other terms and conditions contained in the Credit Agreement to be complied with by the Obligors, not properly waived in writing by or on behalf of the Lender have been fully complied with.
6. No Event of Default or Pending Event of Default has occurred and is continuing nor will any such event occur as a result of the aforementioned Advances.

DATED as of the date first above written.

BEST MADE TOYS LLC

Per: _____

Name:

Title:

BEST MADE TOYS INTERNATIONAL, ULC

Per: _____

Name:

Title:

SCHEDULE 4

REPAYMENT NOTICE

TO: Bank of Montreal and Bank of Montreal, acting through its Chicago Branch

FROM: [Best Made Toys LLC/Best Made Toys International, ULC]

DATE: •

1. This Repayment Notice is delivered to you pursuant to the amended and restated credit agreement made as of October 4, 2018 between Best Made Toys International, ULC, as Canadian Borrower, Best Made Toys LLC, as U.S. Borrower, Bank of Montreal, as Canadian Lender and Bank of Montreal, acting through its Chicago Branch, as U.S. Lender (as the same may be modified, amended, supplemented, restated and replaced from time to time, the “**Credit Agreement**”). All defined terms set forth, but not otherwise defined, in this notice shall have the respective meanings set forth in the Credit Agreement, unless the context requires otherwise.
2. [Best Made Toys LLC/Best Made Toys International, ULC] hereby gives you notice of a repayment as follows:
3. **Date of Repayment (not less than three (3) Business Days after the delivery of this notice):**
4. **Applicable Credit Facility (check applicable box):**

Facility 1 Revolver	<input type="checkbox"/>
Facility 2	<input type="checkbox"/>
Facility 3	<input type="checkbox"/>
Facility 4 Revolver	<input type="checkbox"/>
Facility 5	<input type="checkbox"/>
5. **Type of Advance:**
6. **Permanent Reduction of Principal:**

This is a notice of a permanent reduction of the Applicable Credit Facility noted above.

☐ Yes ☐ No

If yes, amount of permanent reduction: _____

DATED as of the date first above written.

BEST MADE TOYS LLC

Per: _____

Name:

Title:

BEST MADE TOYS INTERNATIONAL, ULC

Per: _____

Name:

Title:

SCHEDULE 5

TAXES

Nil.

SCHEDULE 6

ABSENCE OF LITIGATION

- Fairfield Processing Corporation (“Fairfield”) filed an Alternative Dispute Resolution against Canadian Borrower in July 2018 for the amount of 781,722 (USD) under the arbitration laws of New York State. To date the case is in the discovery phase, with an arbitration hearing scheduled in November 2018. The dispute includes claims and counterclaims for contract manufacturing performed by Fairfield, on behalf of the Canadian Borrower, in St. Louis, MO during 2017. The claims against Canadian Borrower include unpaid invoices, incentive payment and cost reimbursement. The Canadian Borrower denies all of these claims. Counterclaims against Fairfield include reimbursement of customer penalties for late deliveries and poor quality and over-billing.
- Manitoulin Warehousing and Distribution Inc. filed a statement of claim on February 13, 2018 for damages for breach of contract and unjust enrichment in the amount of \$200,721.90. The 2015 contract states that Manitoulin would “double stack” the pallet boxes and store in a single skid position, however, Manitoulin billed on a single stack basis and later claimed it was not safe to store the boxes in a double stacked position. The contract is clear, however, Manitoulin claims a “reported” verbal agreement with former CFO, Francis Michaud. Manitoulin has offered to settle its claims if Best Made Toys paid a sum of \$123,000 inclusive of HST, plus interest. Best Made Toys International, ULC has retained Shillers LLP to defend the claim. The contract was revised from the 2014 version to more clearly state double stacked as the 2014 agreement indicated “potentially double stacked”. Management intends to defend the matter vigorously.
- JMC Sales LLC (“JMC”), a Minnesota company, and Julie Cook and the Canadian Borrower agreed to a settlement in July 2018. JMC acted as a sales representative to Target Corporation on behalf of the Canadian Borrower since February 1, 2011. On August 18, 2016 the Canadian Borrower terminated JMC. This termination resulted in certain financial liabilities pursuant to The Minnesota Termination of Sales Representative Act (Section 325E.37). To avoid the cost of litigation, the parties agreed to waive all claims against each other in exchange of a payment by Canadian Borrower to JMC in the amount of \$40,000 (USD).

SCHEDULE 7

DEBT AND NON-ARM'S LENGTH TRANSACTIONS

- Management Services Agreement dated May 29, 2015 hereof between Best Made Toys LLC, Best Made Toys International, ULC and Best Made Toys Global Enterprises Limited.
- Promissory Note dated June 28, 2016 between SJ Capital Partners V, LLC and Best Made Toys LLC for US\$600,000 with interest accruing daily at 5% payable monthly on the basis of a 360 day year
- Promissory Note dated October 6, 2017 between SJ Capital Partners V, LLC and Best Made Toys LLC for US\$400,000 with interest accruing daily at 5% payable monthly on the basis of a 360 day year
- Payment made by Best Made Toys LLC to SJ Aviation Partners LLC in the amount of US\$775.00 on September 21, 2018 for Board of Director expenses.
- Payment made by Best Made Toys LLC to Andrew Parsons in the amount of US\$623.27 on September 21, 2018 for Board of Director expenses.
- Payment made by Best Made Toys LLC to SJ Partners, LLC in the amount of US\$529.30 on September 21, 2018 for Board of Director expenses.
- Payment made by Best Made Toys LLC to SJ Partners, LLC in the amount of US\$15.24 on September 27, 2018 for Board of Director expenses.

SCHEDULE 8

DESCRIPTION OF OWNED REAL PROPERTY AND LEASED REAL PROPERTY

(a) Owned Real Property

Nil.

(b) Leased Real Property:

- Best Made Toys International, ULC
 - 120 St. Regis Crescent North, Toronto
 - 53 Bakersfield St., Toronto
- Best Made Toys Global Enterprises Limited
 - Tenancy of Units 1 and 13 on 2nd floor, South Sea Centre No. 75 Mody Road, Kowloon, Hong Kong — Lease agreement between Expeditors Hong Kong Limited as landlord and Seller as tenant made the 1st day of January, 2017, for a term of 2 years expiring December 31, 2018.

(c) Other Locations:

- Warehouse locations for Best Made Toys International, ULC:
 - Simtech Supply Chain Management, 501A Franklin Blvd, Cambridge ON
 - Crossdock Systems Inc., 1771 Aimco Blvd, Mississauga, ON, L4W 1H7
 - Marco, 84 Aero Drive, Buffalo, NY, 14225-1435
 - Speed Global Services, 2299 Kenmore Avenue, Buffalo, NY, 14207
 - Dominion Warehouse, 225 Carrier Drive, Toronto, ON, M9W 1N4
 - FW Warehousing, 303 Rock Industrial Park, Bridgeton, MO, 63044
- Best Made Toys Global Enterprises Limited:
 - Rooms 501 and 510, Block B, Houjie Business Centre, 1060 New Song Jiang Rd, Song Jiang, Shanghai, China, 201600
 - Floor 10, Fengyuan Building No. 909, New Songjiang Road, Songjiang District, Shanghai
 - Unit 19-119, Building 27, Binheshuiyuan, Sishui County, Jining City, Shandong Province

SCHEDULE 9**INSURANCE**

Obligor	Name of Insurer	Type of Policy	Policy No.	Expiration Date
Best Made Toys International, ULC	Allianz Global Risks US Insurance Company	Commercial General Liability	CAL000694 180M	5/29/2019
	Allianz Global Risks US Insurance Company	Excess Liability	CAL000694 180M	5/29/2019
	Allianz Global Risks US Insurance Company	Property	CAL000694 180M	5/29/2019
	Red Rock Insurance Services Ltd.	Account Receivable Insurance	XPTC4091	05/01/2019
Best Made Toys, LLC; Best Made Toys Holding, LLC	Allianz Global Risks US Insurance Company	Commercial General Liability	TB1-B71-171072-015	05/29/2019
	Allianz Global Risks US Insurance Company	Excess Liability	CAL000694 180M	05/01/2019
Best Made Toys Global Enterprises Ltd.	Allianz Global Risks US Insurance Company	Commercial General Liability	CAL000694 180M	05/29/2019
Best Made Toys LLC	The Hanover Insurance Company	Directors and Officers Liability	LHA-A941476-02	05/29/2019
Best Made Toys LLC	Houston Casualty Company	Keyman Life – re: Carter Pennington with Bank of Montreal as beneficiary	18127893	01/04/2019

SCHEDULE 10
EMPLOYEE DISPUTES

Nil.

SCHEDULE 11

LABOUR DISPUTES

Nil.

SCHEDULE 12
CORPORATE STRUCTURE

Obligor	Name of Shareholder	Class	Number of Shares / % Membership Interest	Authorized Capital
Best Made Toys LLC	SJ Capital Partners V LLC	Membership Interest	86.87%	N/A
	Andrew Parsons	Membership Interest	5.78%	N/A
	Shelly Gobin	Membership Interest	5.07%	N/A
	Gordon Boggis	Membership Interest	2.28%	N/A
Best Made Toys Holding LLC	Best Made Toys LLC	Membership Interest	100%	N/A
Best Made Toys International, ULC	Best Made Toys Holding LLC	Common Shares	0.65	Unlimited
			0.35	
Best Made Toys Global Enterprises Limited	Best Made Toys LLC	Ordinary	65	N/A
			34	
			1	

Rights to Acquire Shares of Obligor: N/A

SCHEDULE 13

RELEVANT JURISDICTIONS

(a) *Relevant Jurisdictions:*

Best Made Toys International, ULC	British Columbia, Ontario
Best Made Toys Global Enterprises Limited	Hong Kong
Best Made Toys LLC	State of Delaware, U.S.A.
Best Made Toys Holding LLC	State of Delaware, U.S.A.

(b) *Chief Executive Offices, Locations of Books and Records:*

Best Made Toys International, ULC	120 St. Regis Crescent North, Toronto, ON
Best Made Toys Global Enterprises Limited	Unit 201, Tower 2, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong
Best Made Toys LLC	120 St. Regis Crescent North, Toronto, ON
Best Made Toys Holding LLC	120 St. Regis Crescent North, Toronto, ON

(c) *Locations of Property:* See Schedule 8

SCHEDULE 14

INTELLECTUAL PROPERTY RIGHTS

Best Made Toys International, ULC:

- Common law trademark rights to the BEST MADE TOYS & Design logo (with representation of poodle holding umbrella).
- Rights in all intellectual property associated with content on the website, template documents, and materials advertising and promoting the business, whether printed, online, digital or utilizing other media.
- Licensed rights to access and use software.

Best Made Toys Global Enterprises Limited:

- Common law trademark rights to the BEST MADE TOYS & Design logo (with representation of poodle holding umbrella).
- Rights in all intellectual property associated with template documents.
- Licensed rights to access and use software.

SCHEDULE 15

MATERIAL LICENSES AND MATERIAL CONTRACTS

Part I. Material Licenses

Nil.

Part II. Material Contracts

- Canadian Asset Purchase Agreement dated June 1, 2015 between Best Made Toys International, ULC, Best Made Toys LLC, Best Made Toys International Inc., Gerald Seetner, and Anne-Marie Seetner
- Hong Kong Asset Purchase Agreement dated June 1, 2015 between Best Made Toys Global Enterprises Limited, Best Made Toys LLC, and Best Made Toys Global Limited
- Indemnity Agreement dated June 1, 2015 in respect of the obligations of Best Made Toys Global Limited under the Hong Kong Asset Purchase Agreement between Gerald Seetner, Anne-Marie Seetner, Best Made Toys Global Enterprises Limited, and Best Made Toys LLC
- Indemnity Agreement dated June 1, 2015 in respect of the obligations of Best Made Toys Global Limited under the Hong Kong/PRC Transition Services Agreement between Gerald Seetner, Anne-Marie Seetner, Best Made Toys Global Enterprises Limited, and Best Made Toys LLC

Other Material Contracts:

Date	Title	Subsidiary	Contractee
Apr/2017	Roundy's Inc. Vendor Form	International	Roundy's Inc.
Jul/2017	Product Information Manager (PIMP) Security Administrator Request Form.	International	Roundy's Inc.
Jul/2017	Roundy's Supermarkets, Inc. Unsaleable Agreement Form	International	Roundy's Inc.
Feb/2016	Wal-Mart - Sam's Co-op agreement	International	Wal-Mart Canada
Dec/2017	Topco Indemnification Agreement	International	Topco
Mar/2018	ADDENDUM TO PURCHASE AGREEMENT ICA NON-FOOD PRODUCTS	International	ICA

Feb/2018	CONOZCAMOS NUESTRO CLIENTE - PROVEEDOR	International	PEP GANGA
Mar/2018	CONZCAMOS NUESTRO CLIENTE - PROVEEDOR	International	PEP GANGA
Mar/2018	CODE OF CONDUCT	International	Bergendahl
Mar/2018	GENERAL PURCHASE AGREEMENT BETWEEN THE BERGENDAHL GROUP AND SUPPLIER	International	Bergendahl
Mar/2018	PURCHASE AGREEMENT	International	COPPEL
Mar/2018	IMPORT AGREEMENT	International	e-mart
Mar/2018	FOREGING SUPPLIER REGISTRATION	International	FLAMINGO
Mar/2018	SECURITY AGREEMENT AND OPERATION IN THE PROVISION OF FOREIGN SUPPLIER	International	FLAMINGO
Mar/2018	FOREGING SUPPLIER REGISTRATION	International	FLAMINGO
Mar/2018	ICA PRODUCT SPECIFIC REQUIREMENTS (PSR)-TOYS	International	ICA
Mar/2018	SHIPPING DOCUMENT INSTRUCTION	International	ICA
Mar/2018	APPENDIX TO ICA PRODUCTSPECIFIC REQUIREMENT (PSR) TOYS 7.0	International	KESKO
May/2018	ICA PRODUCT SPECIFIC REQUIREMENTS (PSR)-TOYS	International	KESKO
Mar/2018	SUPPLIER AGREEMENT	International	KESKO
Feb/2018	CONFIDENTIAL NON- DISCLOSURE AND NON-USE AGREEMENT	International	Kroger

Mar/2018	CUSTOMER RETURNS, DEFECTIVE GOODS POLICY & CONDITIONS OF ORDER.	International	Menards
Apr/2018	VENDOR COMPLIANCE PROGRAM LETTER	International	Menards
Mar/2018	VENDOR COMPLIANCE PROGRAM LETTER	International	Menards
Mar/2018	ENTITLEMENTS NOTIFICATION	International	Michaels
Mar/2018	ANNEX 1 PAYMENT TERMS	International	Wal-Mart MEXICO
Mar/2018	STANDARD TERMS AND CONDITIONS	International	Wal-Mart MEXICO
Apr/2018	COMMERCIAL TERMS	Global	The Reject Shop
Sep/2017	VENDOR BUYING AGREEMENT	Global	WHSmith Asia Limited
Jul/2017	2017 SOP Acknowledgement Confirmation Letter	International	Carrefour
Jul/2017	Supplier's Charter Carrefour Acknowledgement Letter	International	Carrefour
May/2017	Supplier Code of Business Conduct	International	Canadian Tire
May/2017	Purchase Agreement	International	Canadian Tire
May/2017	Supply Chain Security Requirements	International	Canadian Tire
Jul/2017	GENERAL TERMS OF SUPPLY OF CONTROLLED PRODUCTS	International	Carrefour Agreement
May/2017	Supplier Charter of Ethic	International	Casino Global
Oct/2017	Vendor Rebate Agreement	International	DG Vendor Rebate
Apr/2017	Master Supply Agreement	International	Dollar General

Jun/2017	Non-Disclosure Agreement	International	Dollar General
May/2017	Vendor Code of Conduct	International	Dollarama Vendor
Aug/2017	EFT Authorization Form	International	Family Dollar
Aug/2017	Supplier Agreement	International	Family Dollar
Aug/2017	Supplier Financial Update	International	Family Dollar
Sep/2017	Supplier Financial Update	International	Family Dollar
May/2017	Vendor Agreement	International	Family Farm
Nov/2017	C-TPAT	International	Fred's
Nov/2017	C-TPAT	International	Fred's
Sep/2017	CPAT	International	Fred's
Sep/2017	CPAT	International	Fred's
May/2017	Supply Agreement	International	Massmart Supply
Mar/2017	Import vendor compliance letter	International	Menards March
Mar/2017	Return Agreement	International	Menards Return
Dec/2017	Supplier form	International	Poundstretcher Supplier
Feb/2017	Supplier change form	International	Rite Aid
Oct/2017	Returns Agreement	International	Riteaid Returns
Jul/2017	Code of conduct	International	Rossmann Code
Apr/2017	Vendor form	International	Roundy's
May/2017	PIM Security form	International	Roundy's
May/2017	Access agreement	International	Roundy's
Jul/2017	Suppliers Ethics Acknowledgement	International	Suppliers Ethics

Apr/2017	Master Purchase agreement	International	Top Toy
Jun/2017	Vendor Agreement	International	Wal-Mart
May/2017	Supply Agreement	International	Walgreens Extension
May/2017	Supply Agreement	International	Walgreens Extension
Dec/2017	Notice of assignment	International	Walgreens Notice
May/2017	Acknowledgement and certification	International	Walgreens Signature
Dec/2017	Vendor Compliance Checklist	International	Walgreens Vendor
Oct/2017	Mater international Supply Agreement	International	Walmart Chile
Jul/2017	Supplier Agreement Dept 7	International	WM Canada Supplier

SCHEDULE 16

EXCEPTIONS TO GAAP

Historical financial statements are not fully GAAP compliant. Expenses accrued under GAAP such as commissions are either not accrued or the accrual is not entirely consistent with GAAP.

SCHEDULE 17

PENSION PLAN DISCLOSURE

Nil.

SCHEDULE 18

BANK ACCOUNTS

Best Made Toys International, ULC:

Bank of Montreal
First Canadian Place
100 King St. W.
Toronto, Ontario M5X 1A1

- CAD Funds Account: 0002-1879-136
- USD Funds Account: 0002-4679-483

Best Made Toys Global Enterprises Limited:

Bank of Montreal
First Canadian Place
100 King St. W.
Toronto, Ontario M5X 1A1

- USD Funds Account: 0002-4671-545

HKD Funds Account – to be opened

Best Made Toys LLC:

BMO Harris Bank N.A.
111 West Monroe Street, 9C
Chicago, Illinois 60603

- Account Numbers: 1822295 and 1822493

Best Made Toys Holding LLC:

BMO Harris Bank N.A.
111 West Monroe Street, 9C
Chicago, Illinois 60603

- Account Numbers: 1822303

TOR01: 7572162: v8

Tab C

THIS IS EXHIBIT "C" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019

A handwritten signature in blue ink, appearing to be 'Tyler', is written above a horizontal line.

A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

EXECUTION VERSION

GUARANTEE

BETWEEN

BEST MADE TOYS INTERNATIONAL, ULC

and

BANK OF MONTREAL

May 29, 2015

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GUARANTEE

Dated May 29, 2015

BETWEEN:

BEST MADE TOYS INTERNATIONAL, ULC,
a British Columbia corporation (the "**Guarantor**")

and

BANK OF MONTREAL (the "**Secured Party**").

RECITALS:

A. The Secured Party, as Canadian Lender, and Bank of Montreal acting through its Chicago Branch, as U.S. Lender (collectively the "**Lenders**") have agreed to provide certain credit facilities to Guarantor, as Canadian Borrower, and Best Made Toys Holdings LLC, as U.S. Borrower (the "**U.S. Borrower**" and together with the Guarantor, the "**Borrowers**") for such purposes as are established by the terms and conditions of a credit agreement dated as of the date hereof (including all annexes, exhibits and schedules thereto, as from time to time amended, restated, supplemented or otherwise modified and in effect, the "**Credit Agreement**").

B. The Guarantor considers it in its best interest to provide this guarantee as the Guarantor will derive substantial direct and indirect benefits from the Secured Party providing credit and other financial accommodations to the U.S. Borrower.

C. As a condition precedent to the Lenders entering into the Credit Agreement, and making the credit facilities and other financial accommodations available to the Borrowers, the Guarantor is required to enter into this agreement to secure the payment and performance of its Obligations.

In consideration of the foregoing and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Guarantor agrees as follows.

ARTICLE 1
INTERPRETATION

Section 1.1 Defined Terms.

Capitalized terms used in this agreement and not otherwise defined have the meanings given to them in the Credit Agreement.

As used in this Guarantee the following terms have the following meanings:

"**Excluded Taxes**" means, with respect to any agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Guarantor hereunder, (i) Taxes imposed on or measured by its net or overall gross income, capital taxes and franchise taxes imposed on it, by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal

office is located or, in the case of any Lender, in which its applicable lending office is located, (ii) any branch profits taxes or any similar tax imposed by any jurisdiction in which the Lender is located, and (iii) Taxes under the Income Tax Act (Canada) on, or deducted or withheld from, any payment or deemed payment to such recipient by reason of the recipient being a Person with whom the Guarantor does not deal at arm's length for purposes of the Income Tax Act (Canada) at the time such payment is made.

"Guarantor Security Documents" means the agreements described in Schedule "A" and any other documents or writings evidencing the security held by the Secured Party, from time to time for the Guarantor's obligations under this Guarantee.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise and property taxes, charges or similar levies arising from any payment made by the Guarantor under this Guarantee or under any of the Guarantor Security Documents or from the execution, delivery or enforcement of, or otherwise with respect to, this Guarantee or any of the Guarantor Security Documents, in each case, including any interest, additions to tax or penalties applicable thereto.

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

Section 1.2 Interpretation.

- (1) Capitalized terms used in this Guarantee but not defined have the meanings given to them in the Credit Agreement.
- (2) In this Guarantee the words **"including"**, **"includes"** and **"include"** mean **"including (or includes or include) without limitation"**. 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"**. The expression **"Article"**, **"Section"** or other subdivision followed by a number mean and refer to the specified Article, Section or other subdivision of this Guarantee.
- (3) Any reference in this Guarantee to gender includes all genders. Words importing the singular number only include the plural and vice versa.
- (4) The division of this Guarantee into Articles, Sections and other subdivisions and the insertion of headings are for convenient reference only and are not to affect its interpretation.
- (5) The schedules attached to this Guarantee form an integral part of it for all purposes of it.
- (6) Any reference to this Guarantee, any other Credit Document or any Guarantor Security Document refers to this Guarantee or such other Credit Document or Guarantor Security Document as the same may have been or may from time to time be amended, modified, extended, renewed, restated, replaced or supplemented and includes all schedules to it. Except as otherwise provided in this Guarantee, any reference in this Guarantee to a

statute refers to such statute and all rules and regulations made under it as the same may have been or may from time to time be amended or re-enacted.

- (7) All references in this Guarantee to dollars, unless otherwise specifically indicated, are expressed in Canadian currency.

ARTICLE 2 GUARANTEE

Section 2.1 Guarantee.

The Guarantor irrevocably and unconditionally guarantees to the Secured Party the due and punctual payment, and the due performance, whether at stated maturity, by acceleration or otherwise, of the Obligations. The Guarantor agrees that the Obligations will be paid to the Lenders strictly in accordance with their terms and conditions.

Section 2.2 Indemnity.

If any or all of the Obligations are not duly performed by the Obligor and are not performed by the Guarantor under Section 2.1 for any reason whatsoever, the Guarantor will, as a separate and distinct obligation, indemnify and save harmless the Secured Party in accordance with Section 13.2 of the Credit Agreement.

Section 2.3 Primary Obligation.

If any or all of the Obligations are not duly performed by the Obligor and are not performed by the Guarantor under Section 2.1 or the Secured Party is not indemnified under Section 2.2, in each case, for any reason whatsoever, such Obligations will, as a separate and distinct obligation, be performed by the Guarantor as primary obligor.

Section 2.4 Absolute Liability.

The Guarantor agrees that the liability of the Guarantor under Section 2.1 and Section 2.3 and, for greater certainty, under Section 2.2, is absolute and unconditional irrespective of:

- (a) the lack of validity or enforceability of any terms of any of the Credit Documents;
- (b) any contest by any Obligor or any other Person as to the amount of the Obligations, the validity or enforceability of any terms of the Credit Documents or the perfection or priority of any security granted to the Secured Party;
- (c) any defence, counter claim or right of set-off available to any Obligor, other than payment and performance;
- (d) any release, compounding or other variance of the liability of the Obligor or any other Person liable in any manner under or in respect of the Obligations (other than by written consent of the Secured Party) or the extinguishment of all or any part of the Obligations by operation of law;

- (e) any change in the time or times for, or place or manner or terms of payment or performance of the Obligations or any consent, waiver, renewal, alteration, extension, compromise, arrangement, concession, release, discharge or other indulgences which the Lenders may grant to the Obligors or any other Person (other than the Guarantor);
- (f) any amendment or supplement to, or alteration or renewal of, or restatement, replacement, refinancing or modification or variation of (including any increase in the amounts available thereunder or the inclusion of an additional borrower thereunder), or other action or inaction under, the Credit Agreement, the other Credit Documents or any other related document or instrument, or the Obligations;
- (g) any discontinuance, termination, reduction, renewal, increase, abstention from renewing or other variation of any credit or credit facilities to, or the terms or conditions of any transaction with, the Obligors or any other Person (other than the Guarantor);
- (h) any change in the ownership, control, name, objects, businesses, assets, capital structure or constitution of the Obligors or any reorganization (whether by way of reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise) of the Obligors or their respective businesses;
- (i) any dealings with the security which the Secured Party hold or may hold pursuant to the terms and conditions of the Credit Documents, including the taking, giving up or exchange of securities, their variation or realization, the accepting of compositions and the granting of releases and discharges;
- (j) any limitation of status or power, disability, incapacity or other circumstance relating to the Obligors or any other Person, including any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, winding-up or other like proceeding involving or affecting the Obligors or any other Person or any action taken with respect to this Guarantee by any trustee or receiver, or by any court, in any such proceeding, whether or not the Guarantor shall have notice or knowledge of any of the foregoing;
- (k) the assignment of all or any part of the benefits of this Guarantee in accordance with section 5.4;
- (l) any impossibility, impracticability, frustration of purpose, force majeure or illegality of any Credit Document, or the occurrence of any change in the laws, rules, regulations or ordinances of any jurisdiction or by any present or future action of (i) any governmental entity that amends, varies, reduces or otherwise affects, or purports to amend, vary, reduce or otherwise affect, any of the Obligations or the obligations of the Guarantor under this Guarantee, or (ii) any court order that amends, varies, reduces or otherwise affects any of the Obligations;
- (m) any taking or failure to take security, any loss of, or loss of value of, any security, or any invalidity, non-perfection or unenforceability of any security held by the Secured Party, or any exercise or enforcement of, or failure to exercise or

enforce, security, or irregularity or defect in the manner or procedure by which the Secured Party realize on such security;

- (n) any application of any sums received to the Obligations, or any part thereof, and any change in such application, to the extent the Obligations are not satisfied by such sums; and
- (o) any other circumstances which might otherwise constitute a defence available to, or a discharge of, the Guarantor, the Obligors or any other Person in respect of the Obligations or this Guarantee, other than payment and performance.

ARTICLE 3 ENFORCEMENT

Section 3.1 Remedies.

The Secured Party is not bound to exhaust its recourse against the Obligors or any other Person or realize on any security they may hold in respect of the Obligations before being entitled to (i) enforce payment and performance under this Guarantee or (ii) pursue any other remedy against the Guarantor.

Section 3.2 Amount of Obligations.

Any account settled or stated by or between the Secured Party and the Obligors, or if any such account has not been settled or stated immediately before demand for payment under this Guarantee, any account stated by the Secured Party shall, in the absence of manifest error (mathematical or otherwise), be accepted by the Guarantor as conclusive evidence of the amount of the Obligations which is due by the Obligors to the Secured Party or remains unpaid by the Obligors to the Secured Party.

Section 3.3 Payment on Demand.

The Guarantor will pay and perform the Obligations and pay all other amounts payable by it to the Secured Party under this Guarantee, and the obligation to do so arises, immediately after demand for such payment or performance is made in writing to it. The liability of the Guarantor bears interest from the date of such demand at the rate or rates of interest then applicable to the Obligations under and calculated in the manner provided in the Credit Documents (including any adjustment to give effect to the provisions of the *Interest Act* (Canada)).

Section 3.4 Costs and Expenses.

The Guarantor is liable for and will pay on demand by the Secured Party any and all reasonable and documented expenses, costs and charges incurred in connection with this Guarantee, including all reasonable legal fees, courts costs, receivers or agent's remuneration and other expenses in connection with enforcing any of their rights under this Guarantee.

Section 3.5 Assignment and Postponement.

- (1) All obligations, liabilities and indebtedness of all other obligors to the Guarantor of any nature whatsoever and all security therefor (the "Intercompany Indebtedness") are

assigned and transferred to the Secured Party as continuing and collateral security for the Guarantor's obligations under this Guarantee and postponed to the payment in full of all Obligations. Until notice to the Guarantor of the occurrence of an Event of Default that is continuing the Guarantor may receive payments in respect of the Intercompany Indebtedness as permitted under the Credit Agreement. The Guarantor will not assign all or any part of the Intercompany Indebtedness to any Person other than the Secured Party except as otherwise permitted under the Credit Agreement and the other Credit Documents.

- (2) Upon notice to the Guarantor of the occurrence and during the continuation of an Event of Default, all Intercompany Indebtedness will be held in trust for the Secured Party and will be collected, enforced or proved subject to, and for the purpose of, this Guarantee. In such event, any payments received by the Guarantor in respect of the Intercompany Indebtedness will be held in trust for the Secured Party and segregated from other funds and property held by the Guarantor and immediately paid to the Secured Party on account of the Obligations.
- (3) The Intercompany Indebtedness shall not be released or withdrawn by the Guarantor without the prior written consent of the Secured Party. The Guarantor will not allow a limitation period to expire on the Intercompany Indebtedness or ask for or obtain any security or negotiable paper for, or other evidence of, the Intercompany Indebtedness except for the purpose of delivering the same to the Secured Party.
- (4) In the event of any insolvency, bankruptcy or other proceeding involving the liquidation, arrangement, compromise, reorganization or other relief with respect to any Obligor or its debts, the Guarantor will, upon the reasonable request of the Secured Party, make and present a proof of claim or commence such other proceedings against the applicable Obligor on account of the Intercompany Indebtedness as may be reasonably necessary to establish the Guarantor's entitlement to payment of any Intercompany Indebtedness. Such proof of claim or other proceeding must be made or commenced prior to the earlier of (i) the day which is 30 days after notice requesting such action is delivered by or on behalf of the Secured Party to the Guarantor and (ii) the day which is 10 days preceding the date when such proof of claim or other proceeding is required by applicable law to be made or commenced. Such proof of claim or other proceeding must be in form and substance acceptable to the Secured Party.
- (5) If the Guarantor fails to make and file such proof of claim or commence such other proceeding in accordance with this Section, the Secured Party is irrevocably authorized, empowered and directed and appointed the true and lawful attorney of the Guarantor (but is not obliged) with the power to exercise for and on behalf of the Guarantor the following rights, upon the occurrence and during the continuance of an Event of Default: (i) to make and present for and on behalf of the Guarantor proofs of claims or other such proceedings against the Obligors on account of the Intercompany Indebtedness, (ii) to demand, sue for, receive and collect any and all dividends or other payments or disbursements made in respect of the Intercompany Indebtedness in whatever form the same may be paid or issued and to apply the same on account of the Obligations, and (iii) to demand, sue for, collect and receive each such payment and distribution and give acquittance therefor and to file claims and take such other actions, in its own name or in the name of the Guarantor or otherwise, as the Secured Party may deem necessary or advisable to enforce its rights under this Guarantee.

- (6) The Guarantor will execute all subordinations, postponements, assignments and other agreements as the Secured Party may reasonably request to more effectively subordinate and postpone the Intercompany Indebtedness to the payment and performance of the Obligations.
- (7) The provisions of this Section 3.5 survive the termination of this Guarantee and remain in full force and effect until (i) the Obligations and all other amounts owing by an Obligor under the Credit Documents are repaid in full; and (ii) the Secured Party has no further obligation under any of the Credit Documents.

Section 3.6 Suspension of Guarantor Rights.

So long as there are any Obligations, the Guarantor will not exercise any rights which it may at any time have by reason of the performance of any of its obligations under this Guarantee (i) to be indemnified by any Obligor, (ii) to claim contribution from any other guarantor of the debts, liabilities or obligations of any Obligor, or (iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Secured Party under any of the Credit Documents. The Guarantor hereby agrees in favour of the Obligors and the Secured Party, that any such rights of indemnification, contribution, or subrogation terminate in the event of a sale, foreclosure or other disposition of any of the equity securities of any Obligor or the Guarantor in connection with an exercise of rights and remedies by the Lenders. The Guarantor further agrees that the Obligors and other guarantors of the debts, liabilities and obligations of the Obligors are intended third party beneficiaries of the Guarantor's agreement contained in this Section 3.6.

Section 3.7 No Prejudice to Secured Party.

The Secured Party is not prejudiced in any way in the right to enforce any provision of this Guarantee by any act or failure to act on the part of the Obligors or the Secured Party. The Secured Party and the Lenders may, at any time and from time to time, in such manner as any of them may determine is expedient, without any consent of, or notice to, the Guarantor and without impairing or releasing the obligations of the Guarantor (i) change the manner, place, time or terms of payment or performance of the Obligations, (ii) renew or alter the Obligations, (iii) amend, vary, modify, supplement or replace any Credit Document or any other related document or instrument, (iv) discontinue, reduce, renew, increase, abstain from renewing or otherwise vary any credit or credit facilities to, any transaction with, the Obligors or any other Person, (v) release, compound or vary the liability of the Obligors or any other Person liable in any manner under or in respect of the Obligations, (vi) take or abstain from taking securities or collateral from any other Person, or from perfecting securities or collateral of any other Person, (vii) exercise or enforce or refrain from exercising or enforcing any right or security against the Obligors, the Guarantor or any other Person, (viii) accept compromises or arrangement from any Person, (ix) apply any sums from time to time received to the Obligations, or any part thereof, and change any such application in whole or in part from time to time, or (x) otherwise deal with, or waive or modify their right to deal with, any Person and security. In their dealings with the Obligors, the Secured Party and the Lenders need not enquire into the authority or power of any Person purporting to act for or on behalf of the Obligors; provided, that in no case may the Secured Party or the Lenders take any action that would increase the amount of the Obligations, or any obligation of the Guarantor, in a manner contrary to the terms of the Credit Agreement.

Section 3.8 Rights of Subrogation.

(1) Any rights of subrogation acquired by the Guarantor by reason of payment under this Guarantee, and not terminated pursuant to Section 3.6, shall not be exercised until the Obligations and all other amounts due by the Obligors to the Lenders pursuant to the terms of the Credit Documents have been paid or repaid in full and such rights of subrogation shall be no greater than the rights held by the Lenders. In the event (i) of the liquidation, winding up or bankruptcy of any Obligor (whether voluntary or compulsory), (ii) that any Obligor makes a bulk sale of any of its assets within the provisions of any bulk sales legislation, or (iii) that any Obligor makes any composition with creditors or enters into any scheme of arrangement, the Secured Party has the right to rank in priority to the Guarantor for its full claims in respect of the Obligations and receive all dividends and other payments until their claims have been paid in full. The Guarantor will continue to be liable, less any payments made by it, for any balance which may be owing to the Lenders by the Obligors. No valuation or retention of its security by the Secured Party shall, as between the Secured Party and the Guarantor, be considered as a purchase of such security or as payment or satisfaction or reduction of all or any part of the Obligations. If any amount is paid to the Guarantor at any time when all the Obligations and other amounts due by the Obligors to the Lenders pursuant to the terms of the Credit Documents have not been paid in full, the amount will be immediately paid to the Lenders to be credited and applied to the Obligations, whether matured or unmatured. The Guarantor has no recourse against the Secured Party for any invalidity, non-perfection or unenforceability of any security held by the Secured Party or any irregularity or defect in the manner or procedure by which the Secured Party realizes on such security. (2) If the Guarantor shall make a payment to the Secured Party of all or any portion of the Obligations and if all of the Obligations shall be paid in full, the Secured Party will, at the Guarantor's request and expense, execute and deliver to the Guarantor (without recourse, representation or warranty) appropriate documents necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Obligations resulting from such payment by the Guarantor.

Section 3.9 No Set-off.

To the fullest extent permitted by law, the Guarantor makes all payments under this Guarantee without regard to any defence, counter-claim or right of set-off available to it.

Section 3.10 Successors of the Obligors.

This Guarantee will not be revoked by any change in the constitution of any Obligor. This Guarantee and the Guarantor Security Documents extend to any person, firm or corporation acquiring, or from time to time carrying on, the business of any Obligor.

Section 3.11 Continuing Guarantee and Continuing Obligations.

The obligation of the Guarantor under Section 2.1 is a continuing guarantee, and the obligations of the Guarantor under Section 2.2 and Section 2.3 are continuing obligations. Each of Section 2.1, Section 2.2 and Section 2.3 extends to all present and future Obligations, applies to and secures the ultimate balance of the Obligations due or remaining due to the Lenders and is binding as a continuing obligation of the Guarantor until the Secured Party releases the Guarantor. This Guarantee will continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by the Secured Party upon the insolvency, bankruptcy or reorganization of any Obligor or otherwise, all as though the payment had not been made.

Section 3.12 Supplemental Security.

This Guarantee is in addition and without prejudice to and supplemental to all other guarantees, indemnities, obligations and security now held or which may hereafter be held by the Secured Party.

Section 3.13 Security for Guarantee.

The Guarantor acknowledges that this Guarantee is intended to secure payment and performance of the Obligations and that the payment and performance of the Obligations and the other obligations of the Guarantor under this Guarantee are secured pursuant to the terms and provisions of the Guarantor Security Documents.

Section 3.14 Right of Set-off.

In addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights while an Event of Default exists, the Secured Party shall be entitled to rights of setoff to the extent provided in Section 12.8 of the Credit Agreement. The Secured Party agrees promptly to notify the Guarantor after any such set-off and application made by the Secured Party. The rights of the Secured Party under this Section 3.14 are in addition and without prejudice to and supplemental to other rights and remedies which the Secured Party may have.

Section 3.15 Interest Act (Canada).

The Guarantor acknowledges that certain of the rates of interest applicable to the Obligations may be computed on the basis of a year of 360 days or 365 days, as the case may be and paid for the actual number of days elapsed. For purposes of the *Interest Act* (Canada), whenever any interest is calculated using a rate based on a year of 360 days or 365 days, as the case may be, such rate determined pursuant to such calculation, when expressed as an annual rate is equivalent to (i) the applicable rate based on a year of 360 days or 365 days, as the case may be, (ii) multiplied by the actual number of days in the calendar year in which the period for such interest is payable (or compounded) ends, and (iii) divided by 360 or 365, as the case may be.

Section 3.16 Taxes.

- (1) All payments to the Lenders by the Guarantor under this Guarantee or under any of the Guarantor Security Documents will be made free and clear of and without deduction or withholding for any and all Indemnified Taxes, unless such Indemnified Taxes are required by applicable law to be deducted or withheld. If the Guarantor is required by applicable law to deduct or withhold any such Indemnified Taxes from or in respect of any amount payable under this Guarantee or under any of the Guarantor Security Documents (i) the amount payable shall be increased (and for greater certainty, in the case of interest, the amount of interest shall be increased) as may be necessary so that after making all required deductions or withholdings (including deductions or withholdings applicable to any additional amounts paid under this Section 3.16), the Lenders receive an amount equal to the amount they would have received if no such deduction or withholding had been made, (ii) the Guarantor will make such deductions or withholdings, and (iii) the Guarantor will immediately pay the full amount deducted or withheld to the relevant Governmental Entity in accordance with applicable law.

- (2) The Guarantor agrees to immediately pay any Other Taxes.
- (3) The Guarantor will indemnify the Lenders for the full amount of Indemnified Taxes and Other Taxes (including, without limitation, any Indemnified Taxes or Other Taxes imposed by any jurisdiction on amounts payable by the Guarantor under this Section 3.16) paid by the Lenders and any liability (including penalties, interest and expenses) arising from or with respect to such Indemnified Taxes and Other Taxes, whether or not they were correctly or legally asserted. Payment under this indemnification will be made within 30 days from the date the Lenders make written demand for it. A certificate as to the amount of such Indemnified Taxes and Other Taxes submitted to the Guarantor by the Lenders is conclusive evidence, absent manifest error, of the amount due from the Guarantor to the Lenders.
- (4) The Guarantor will furnish to the Lenders the original or a certified copy of a receipt evidencing payment of any Indemnified Taxes or Other Taxes made by the Guarantor within 30 days after the date of any payment of such Indemnified Taxes or Other Taxes.
- (5) The provisions of this Section 3.16 survive the termination of this Guarantee.

Section 3.17 Judgment Currency.

- (1) If, for the purpose of obtaining or enforcing judgment against any party in any court in any jurisdiction, it becomes necessary to convert into a particular currency an amount due under this Guarantee or any other Transaction Document, the conversion will be made in accordance with the Credit Agreement.

ARTICLE 4 REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 4.1 Credit Agreement Covenants.

Until the Obligations and all other amounts owing under this Guarantee are paid or repaid in full, the Obligations are performed in full and the Lenders have no obligations under the Credit Documents, the Guarantor covenants and agrees that it will take, or will refrain from taking, as the case may be, all actions that are necessary to be taken or not taken so that no violation of any provision, covenant or agreement contained in Articles 9 and 10 of the Credit Agreement, insofar as they relate to the Guarantor, and so that no Default or Event of Default, is caused by the actions of the Guarantor or any of its Subsidiaries.

ARTICLE 5 GENERAL

Section 5.1 Notices, etc.

Except as otherwise provided herein, whenever it is provided herein that any notice (each a "Notice"), demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this Guarantee, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Credit Agreement.

Section 5.2 No Merger, Survival of Representations and Warranties.

The representations, warranties and covenants of the Guarantor in this Guarantee survive the execution and delivery of this Guarantee and each Advance under the Credit Agreement. Notwithstanding any investigation made by or on behalf of the Secured Party, the representations, warranties and covenants in this Guarantee continue in full force and effect.

Section 5.3 Further Assurances.

- (1) The Guarantor will do all acts and things and execute and deliver, or cause to be executed and delivered, all documents and instruments that the Secured Party may reasonably request to give full effect to this Guarantee and to perfect and preserve the rights and powers of the Secured Party under this Guarantee, including any acknowledgements and confirmations of this Guarantee and the Guarantor Security Documents.
- (2) The Guarantor acknowledges and confirms that the Guarantor itself has established its own adequate means of obtaining from the Obligors on a continuing basis all information desired by the Guarantor concerning the financial condition of the Obligors and that the Guarantor will look to the Obligors and not to the Secured Party, in order for the Guarantor to keep adequately informed of changes in the Obligors' financial condition.

Section 5.4 Successors and Assigns.

This Guarantee is binding upon the Guarantor, its successors and assigns, and enures to the benefit of the Secured Party and its respective successors and assigns. This Guarantee may be assigned by the Secured Party without the consent of, or notice to, the Guarantor, to such Person as the Secured Party may determine and, in such event, such Person will be entitled to all of the rights and remedies of the Secured Party as set forth in this Guarantee or otherwise; provided, any assignment by the Secured Party with respect to its rights to and under the Credit Documents shall be in accordance with Section 15 of the Credit Agreement. In any action brought by an assignee to enforce any such right or remedy, the Guarantor will not assert against the assignee any claim or defence which the Guarantor now has or may have against the Secured Party. The Guarantor may not assign, transfer or delegate any of its rights or obligations under this Guarantee without the prior written consent of the Secured Party which may be unreasonably withheld.

Section 5.5 Amendment.

This Guarantee may only be amended, supplemented or otherwise modified by written agreement executed by the Secured Party and the Guarantor.

Section 5.6 Waivers, etc.

- (1) No consent or waiver by the Secured Party in respect of this Guarantee is binding unless made in writing and signed by an authorized officer of the Secured Party. Any consent or waiver given under this Guarantee is effective only in the specific instance and for the specific purpose for which given. No waiver of any of the provisions of this Guarantee constitutes a waiver of any other provision.

- (2) A failure or delay on the part of the Secured Party in exercising a right under this Guarantee does not operate as a waiver of, or impair, any right of the Secured Party however arising. A single or partial exercise of a right on the part of the Secured Party does not preclude any other or further exercise of that right or the exercise of any other right by the Secured Party.

Section 5.7 Severability.

If any court of competent jurisdiction from which no appeal exists or is taken, determines that any provision of this Guarantee is illegal, invalid or unenforceable, that provision will be severed from this Guarantee and the remaining provisions will remain in full force and effect.

Section 5.8 Application of Proceeds.

All monies collected by the Lenders under this Guarantee will be applied as provided in the Credit Agreement. To the extent any other Credit Document requires proceeds of collateral under such Credit Document to be applied in accordance with the provisions of this Guarantee, the Secured Party or holder under such other Credit Document shall apply such proceeds in accordance with this Section.

Section 5.9 Limitations Act.

Notwithstanding the provisions of the *Limitations Act, 2002* (Ontario), a claim may be brought on this Guarantee at any time within 6 years from the date on which demand for payment of the Obligations is made to the Guarantor in accordance with the terms of this Guarantee.

Section 5.10 Governing Law.

- (1) This Guarantee will be governed by, interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- (2) Each of the Guarantor and the Secured Party irrevocably attorns and submits to the exclusive jurisdiction of any court of competent jurisdiction of the Province of Ontario sitting in Toronto, Ontario in any action or proceeding arising out of or relating to this Guarantee and the other Credit Documents to which it is a party. Each of the Guarantor and the Secured Party irrevocably waives objection to the venue of any action or proceeding in such court or that such court provides an inconvenient forum. Nothing in this Section limits the right of the Secured Party to bring proceedings against the Guarantor in the courts of any other jurisdiction.
- (3) The Guarantor hereby irrevocably consents to the service of any and all process in any such action or proceeding by the delivery of copies of such process to the Guarantor at the address provided for in Section 5.1. Nothing in this Section affects the right of the Secured Party to serve process in any manner permitted by law.

Section 5.11 Conflict of terms

In the event of any conflict or inconsistency between the provisions under this Guarantee and the provisions of the Credit Agreement then, notwithstanding anything contained in this Guarantee, the provisions contained in the Credit Agreement shall prevail and the provisions of

this agreement will be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency.

Section 5.12 Termination

This Guarantee may be terminated by written agreement made between the Guarantor and the Secured Party at any time when all of the Obligations have been fully and indefeasibly paid or satisfied and all commitments or other obligations of the Secured Party under the Credit Agreement and other Credit Documents or otherwise have been terminated or cancelled and, the Secured Party shall, within a reasonable time after it receives a written request from the Guarantor, release the Security Interest and execute and deliver any releases and discharges that the Guarantor may reasonably require. The Guarantor shall pay all reasonably and documented expenses incurred by the Secured Party in doing so.

[Signature page follows]

IN WITNESS WHEREOF the Guarantor has executed this Guarantee.

BEST MADE TOYS INTERNATIONAL, ULC

By:



Name: Scott Johnson
Title: Chairman

SCHEDULE "A"
GUARANTOR SECURITY DOCUMENTS

1. Credit Agreement dated as of May 29, 2015 between the Guarantor, Best Made Toys Holdings LLC, the Secured Party, and Bank of Montreal acting through its Chicago Branch;
2. General Security Agreement dated as of May 29, 2015 between the Guarantor and the Secured Party;
3. Notice for registration under section 427 of the Bank Act (Canada) dated as of May 25, 2015;
4. Assignment of security under section 427 of the Bank Act by the Guarantor dated as of May 29, 2015;
5. Application for credit and promise to give bills of lading, warehouse receipts, or security under section 427 of the Bank Act granted by the Guarantor dated as of May 29, 2015;
6. Agreement as to loans and advances and security therefor, made by the Guarantor in favour of the Secured Party dated as of May 29, 2015; and
7. Assignment of Insurance Agreement between the Guarantor and the Secured Party dated as of May 29, 2015.

Tab D

THIS IS EXHIBIT "D" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

GUARANTEE

between

BEST MADE TOYS LLC

and

BANK OF MONTREAL, acting through its Chicago Branch

MAY 29, 2015

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Schedule A — Guarantor Security Documents

GUARANTEE

This Guarantee is dated as of May 29, 2015, by and among BEST MADE TOYS LLC, a Delaware limited liability company (the "*Guarantor*") and BANK OF MONTREAL, acting through its Chicago Branch, (the "*Secured Party*").

RECITALS:

A. The Secured Party, as U.S. Lender, and Bank of Montreal, acting through its Chicago Branch, as Canadian Lender (collectively the "*Lenders*") have agreed to provide certain credit facilities to Guarantor, as U.S. Borrower, and Best Made Toys International ULC, a British Columbia corporation, as Canadian Borrower (the "*Canadian Borrower*" and together with the Guarantor, the "*Borrowers*") for such purposes as are established by the terms and conditions of a credit agreement dated as of the date hereof (including all annexes, exhibits and schedules thereto, as from time to time amended, restated, supplemented or otherwise modified and in effect, the "*Credit Agreement*").

B. The Guarantor considers it in its best interest to provide this guarantee as the Guarantor will derive substantial direct and indirect benefits from the Secured Party providing credit and other financial accommodations to the Canadian Borrower and affiliates of the Borrowers.

C. As a condition precedent to the Lenders entering into the Credit Agreement, and making the credit facilities and other financial accommodations available to the Borrowers, the Guarantor is required to enter into this agreement to secure the payment and performance of the Obligations.

In consideration of the foregoing and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Guarantor agrees as follows.

ARTICLE 1

INTERPRETATION

Section 1.1. Defined Terms. Capitalized terms used in this agreement and not otherwise defined have the meanings given to them in the Credit Agreement.

As used in this Guarantee the following terms have the following meanings:

"*Credit Documents*" means the Credit Agreement, this Guarantee and each other Credit Document (as such term is defined in the Credit Agreement).

"*Excluded Taxes*" means, with respect to any agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Guarantor hereunder, (i) Taxes imposed on or measured by its net or overall gross income, capital taxes and franchise taxes

imposed on it, by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, and (ii) any branch profits taxes or any similar tax imposed by any jurisdiction in which the Lender is located.

"Guarantor Security Documents" means the agreements described in Schedule "A" and any other documents or writings evidencing the security held by the Secured Party, from time to time for the Guarantor's obligations under this Guarantee.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Obligations" means (i) all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, at any time or from time to time due or accruing due and owing by or otherwise payable by the Obligors to the Lenders or either of them, in any currency, under or in connection with or pursuant to the Credit Agreement and any other Credit Document to which any Obligor is a party and whether incurred by an Obligor alone or jointly with another or others and whether as principal, guarantor or surety and in whatever name or style, and (ii) the due performance and compliance by the Obligors with all of the terms and conditions of the Credit Agreement and the other Credit Documents, as such debts, liabilities and obligations may be varied from time to time as contemplated by Section 3.7.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise and property taxes, charges or similar levies arising from any payment made by the Guarantor under this Guarantee or under any of the Guarantor Security Documents or from the execution, delivery or enforcement of, or otherwise with respect to, this Guarantee or any of the Guarantor Security Documents, in each case, including any interest, additions to tax or penalties applicable thereto.

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

Section 1.2. Interpretation. (1) Capitalized terms used in this Guarantee but not defined have the meanings given to them in the Credit Agreement.

(2) In this Guarantee the words "including", "includes" and "include" mean "including (or includes or include) without limitation". 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". The expression "Article", "Section" or other subdivision followed by a number mean and refer to the specified Article, Section or other subdivision of this Guarantee.

(3) Any reference in this Guarantee to gender includes all genders. Words importing the singular number only include the plural and vice versa.

(4) The division of this Guarantee into Articles, Sections and other subdivisions and the insertion of headings are for convenient reference only and are not to affect its interpretation.

(5) The schedules attached to this Guarantee form an integral part of it for all purposes of it.

(6) Any reference to this Guarantee, any other Credit Document or any Guarantor Security Document refers to this Guarantee or such other Credit Document or Guarantor Security Document as the same may have been or may from time to time be amended, modified, extended, renewed, restated, replaced or supplemented and includes all schedules to it. Except as otherwise provided in this Guarantee, any reference in this Guarantee to a statute refers to such statute and all rules and regulations made under it as the same may have been or may from time to time be amended or re-enacted.

(7) All references in this Guarantee to dollars, unless otherwise specifically indicated, are expressed in United States currency.

ARTICLE 2

GUARANTEE

Section 2.1. Guarantee. The Guarantor irrevocably and unconditionally guarantees to the Secured Party the due and punctual payment, and the due performance, whether at stated maturity, by acceleration or otherwise, of the Obligations. The Guarantor agrees that the Obligations will be paid to the Lenders strictly in accordance with their terms and conditions.

Section 2.2. Indemnity. If any or all of the Obligations are not duly performed by the Obligors and are not performed by the Guarantor under Section 2.1 for any reason whatsoever, the Guarantor will, as a separate and distinct obligation, indemnify and save harmless the Secured Party in accordance with Section 13.2 of the Credit Agreement.

Section 2.3. Primary Obligation. If any or all of the Obligations are not duly performed by the Obligors and are not performed by the Guarantor under Section 2.1 or the Secured Party is not indemnified under Section 2.2, in each case, for any reason whatsoever, such Obligations will, as a separate and distinct obligation, be performed by the Guarantor as primary obligor.

Section 2.4. Absolute Liability. The Guarantor agrees that the liability of the Guarantor under Section 2.1 and Section 2.3 and, for greater certainty, under Section 2.2, is absolute and unconditional irrespective of:

(a) the lack of validity or enforceability of any terms of any of the Credit Documents;

(b) any contest by any Obligor or any other Person as to the amount of the Obligations, the validity or enforceability of any terms of the Credit Documents or the perfection or priority of any security granted to the Secured Party;

(c) any defense, counterclaim or right of set-off available to any Obligor, other than payment and performance;

(d) any release, compounding or other variance of the liability of the Obligors or any other Person liable in any manner under or in respect of the Obligations (other than by written consent of the Secured Party) or the extinguishment of all or any part of the Obligations by operation of law;

(e) any change in the time or times for, or place or manner or terms of payment or performance of the Obligations or any consent, waiver, renewal, alteration, extension, compromise, arrangement, concession, release, discharge or other indulgences which the Lenders may grant to the Obligors or any other Person (other than the Guarantor);

(f) any amendment or supplement to, or alteration or renewal of, or restatement, replacement, refinancing or modification or variation of (including any increase in the amounts available thereunder or the inclusion of an additional borrower thereunder), or other action or inaction under, the Credit Agreement, the other Credit Documents or any other related document or instrument, or the Obligations;

(g) any discontinuance, termination, reduction, renewal, increase, abstention from renewing or other variation of any credit or credit facilities to, or the terms or conditions of any transaction with, the Obligors or any other Person (other than the Guarantor);

(h) any change in the ownership, control, name, objects, businesses, assets, capital structure or constitution of the Obligors or any reorganization (whether by way of reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise) of the Obligors or their respective businesses;

(i) any dealings with the security which the Secured Party hold or may hold pursuant to the terms and conditions of the Credit Documents, including the taking, giving up or exchange of securities, their variation or realization, the accepting of compositions and the granting of releases and discharges;

(j) any limitation of status or power, disability, incapacity or other circumstance relating to the Obligors or any other Person, including any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, winding-up or other like proceeding involving or affecting the Obligors or any other Person or any action taken with respect to this Guarantee by any trustee or receiver, or by any court, in any such proceeding, whether or not the Guarantor shall have notice or knowledge of any of the foregoing;

(k) the assignment of all or any part of the benefits of this Guarantee in accordance with Section 5.4;

(l) any impossibility, impracticability, frustration of purpose, force majeure or illegality of any Credit Document, or the occurrence of any change in the laws, rules, regulations or ordinances of any jurisdiction or by any present or future action of (i) any

governmental entity that amends, varies, reduces or otherwise affects, or purports to amend, vary, reduce or otherwise affect, any of the Obligations or the obligations of the Guarantor under this Guarantee, or (ii) any court order that amends, varies, reduces or otherwise affects any of the Obligations;

(m) any taking or failure to take security, any loss of, or loss of value of, any security, or any invalidity, non-perfection or unenforceability of any security held by the Secured Party, or any exercise or enforcement of, or failure to exercise or enforce, security, or irregularity or defect in the manner or procedure by which the Secured Party realize on such security;

(n) any application of any sums received to the Obligations, or any part thereof, and any change in such application, to the extent the Obligations are not satisfied by such sums; and

(o) any other circumstances which might otherwise constitute a defense available to, or a discharge of, the Guarantor, the Obligors or any other Person in respect of the Obligations or this Guarantee, other than payment and performance.

Section 2.5. Right of Recovery. Notwithstanding anything in this Guarantee to the contrary, the right of recovery against the Guarantor under this Guarantee shall not exceed \$1.00 less than the lowest amount which would render the Guarantor's obligations under this Guarantee void or voidable under applicable law, including fraudulent conveyance law.

ARTICLE 3

ENFORCEMENT

Section 3.1. Remedies. The Secured Party is not bound to exhaust its recourse against the Obligors or any other Person or realize on any security they may hold in respect of the Obligations before being entitled to (i) enforce payment and performance under this Guarantee or (ii) pursue any other remedy against the Guarantor.

Section 3.2. Amount of Obligations. Any account settled or stated by or between the Secured Party and the Obligors, or if any such account has not been settled or stated immediately before demand for payment under this Guarantee, any account stated by the Secured Party shall, in the absence of manifest mathematical error, be accepted by the Guarantor as conclusive evidence of the amount of the Obligations which is due by the Obligors to the Secured Party or remains unpaid by the Obligors to the Secured Party.

Section 3.3. Payment on Demand. The Guarantor will pay and perform the Obligations and pay all other amounts payable by it to the Secured Party under this Guarantee, and the obligation to do so arises, immediately after demand for such payment or performance is made in writing to it. The liability of the Guarantor bears interest from the date of such demand at the rate or rates of interest then applicable to the Obligations under and calculated in the manner provided in the Credit Documents.

Section 3.4. Costs and Expenses. The Guarantor is liable for and will pay on demand by the Secured Party any and all reasonable and documented expenses, costs and charges incurred in connection with this Guarantee, including all reasonable legal fees, courts costs, receivers or agent's remuneration and other expenses in connection with enforcing any of their rights under this Guarantee.

Section 3.5. Assignment and Postponement. (1) All obligations, liabilities and indebtedness of all other obligors to the Guarantor of any nature whatsoever and all security therefor (the "*Intercorporate Indebtedness*") are assigned and transferred to the Secured Party as continuing and collateral security for the Guarantor's obligations under this Guarantee and postponed to the payment in full of all Obligations. Until notice to the Guarantor of the occurrence of an Event of Default that is continuing the Guarantor may receive payments in respect of the Intercorporate Indebtedness as permitted under the Credit Agreement. The Guarantor will not assign all or any part of the Intercorporate Indebtedness to any Person other than the Secured Party except as otherwise permitted under the Credit Agreement and the other Credit Documents.

(2) Upon notice to the Guarantor of the occurrence and during the continuation of an Event of Default, all Intercorporate Indebtedness will be held in trust for the Secured Party and will be collected, enforced or proved subject to, and for the purpose of, this Guarantee. In such event, any payments received by the Guarantor in respect of the Intercorporate Indebtedness will be held in trust for the Secured Party and segregated from other funds and property held by the Guarantor and immediately paid to the Secured Party on account of the Obligations.

(3) The Intercorporate Indebtedness shall not be released or withdrawn by the Guarantor without the prior written consent of the Secured Party. The Guarantor will not allow a limitation period to expire on the Intercorporate Indebtedness or ask for or obtain any security or negotiable paper for, or other evidence of, the Intercorporate Indebtedness except for the purpose of delivering the same to the Secured Party.

(4) In the event of any insolvency, bankruptcy or other proceeding involving the liquidation, arrangement, compromise, reorganization or other relief with respect to any Obligor or its debts, the Guarantor will, upon the reasonable request of the Secured Party, make and present a proof of claim or commence such other proceedings against the applicable Obligor on account of the Intercorporate Indebtedness as may be reasonably necessary to establish the Guarantor's entitlement to payment of any Intercorporate Indebtedness. Such proof of claim or other proceeding must be made or commenced prior to the earlier of (i) the day which is 30 days after notice requesting such action is delivered by or on behalf of the Secured Party to the Guarantor and (ii) the day which is 10 days preceding the date when such proof of claim or other proceeding is required by applicable law to be made or commenced. Such proof of claim or other proceeding must be in form and substance acceptable to the Secured Party.

(5) If the Guarantor fails to make and file such proof of claim or commence such other proceeding in accordance with this Section, the Secured Party is irrevocably authorized, empowered and directed and appointed the true and lawful attorney of the Guarantor (but is not obliged) with the power to exercise for and on behalf of the Guarantor the following rights, upon

the occurrence and during the continuance of an Event of Default: (i) to make and present for and on behalf of the Guarantor proofs of claims or other such proceedings against the Obligors on account of the Intercompany Indebtedness, (ii) to demand, sue for, receive and collect any and all dividends or other payments or disbursements made in respect of the Intercompany Indebtedness in whatever form the same may be paid or issued and to apply the same on account of the Obligations, and (iii) to demand, sue for, collect and receive each such payment and distribution and give acquittance therefor and to file claims and take such other actions, in its own name or in the name of the Guarantor or otherwise, as the Secured Party may deem necessary or advisable to enforce its rights under this Guarantee.

(6) The Guarantor will execute all subordinations, postponements, assignments and other agreements as the Secured Party may reasonably request to more effectively subordinate and postpone the Intercompany Indebtedness to the payment and performance of the Obligations.

(7) The provisions of this Section 3.5 survive the termination of this Guarantee and remain in full force and effect until (i) the Obligations and all other amounts owing by an Obligor under the Credit Documents are repaid in full; and (ii) the Secured Party has no further obligation under any of the Credit Documents.

Section 3.6. Suspension and Waiver of Guarantor Rights. So long as there are any Obligations, the Guarantor will not exercise any rights which it may at any time have by reason of the performance of any of its obligations under this Guarantee (i) to be indemnified by any Obligor, (ii) to claim contribution from any other guarantor of the debts, liabilities or obligations of any Obligor, or (iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Secured Party under any of the Credit Documents. The Guarantor hereby agrees in favor of the Obligors and the Secured Party, that any such rights of indemnification, contribution, or subrogation terminate in the event of a sale, foreclosure or other disposition of any of the equity securities of any Obligor or the Guarantor in connection with an exercise of rights and remedies by the Lenders. The Guarantor further agrees that the Obligors and other guarantors of the debts, liabilities and obligations of the Obligors are intended third party beneficiaries of the Guarantor's agreement contained in this Section 3.6. In furtherance of the foregoing, the payment by the Guarantor of any amount or amounts to the Lenders pursuant hereto shall not in any way entitle the Guarantor, either at law, in equity or otherwise, to any right, title or interest (whether by way of subrogation or otherwise) in and to the Obligations or any part thereof or any collateral security therefor or any other rights or remedies in any way relating thereto or in and to any amounts theretofor, then or thereafter paid or applicable to the payment thereof howsoever such payment may be made and from whatsoever source such payment may be derived unless and until all of the Obligations and all costs and expenses suffered or incurred by the Lenders in enforcing this Guaranty have been paid and satisfied in full and the commitments of the Lenders to extend credit to the Borrowers under the Credit Agreement shall have expired or terminated and unless and until such payment in full and termination, any payments made by the Guarantor hereunder and any other payments from whatsoever source derived on account of or applicable to the Obligations or any part thereof shall be held and taken to be merely payments in gross to the Lenders reducing pro tanto the Obligations. The Guarantor waives any and all defenses, claims, and discharges of the

Borrowers, and of any other Obligor, pertaining to the Obligations, except the defense of discharge by payment in full. Without limiting the generality of the foregoing, the Guarantor will not assert, plead or enforce against any Lender any defense of waiver, release, discharge in bankruptcy, statute of limitations, res judicata, statute of frauds, anti-deficiency statute, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to any Borrower or any other Obligor, or any set-off available against the Lenders to the Borrowers or any Obligor, whether or not on account of a related transaction. The Guarantor agrees that the Guarantor shall be and remain liable for any deficiency remaining after foreclosure or other realization on any lien or security interest securing the Obligors, whether or not the liability of the Borrowers or any other Obligor for such deficiency is discharged pursuant to statute or judicial decision.

Section 3.7. No Prejudice to Secured Party. The Secured Party is not prejudiced in any way in the right to enforce any provision of this Guarantee by any act or failure to act on the part of the Obligors or the Secured Party. The Secured Party and the Lenders may, at any time and from time to time, in such manner as any of them may determine is expedient, without any consent of, or notice to, the Guarantor and without impairing or releasing the obligations of the Guarantor (i) change the manner, place, time or terms of payment or performance of the Obligations, (ii) renew or alter the Obligations, (iii) amend, vary, modify, supplement or replace any Credit Document or any other related document or instrument, (iv) discontinue, reduce, renew, increase, abstain from renewing or otherwise vary any credit or credit facilities to, any transaction with, the Obligors or any other Person, (v) release, compound or vary the liability of the Obligors or any other Person liable in any manner under or in respect of the Obligations, (vi) take or abstain from taking securities or collateral from any other Person, or from perfecting securities or collateral of any other Person, (vii) exercise or enforce or refrain from exercising or enforcing any right or security against the Obligors, the Guarantor or any other Person, (viii) accept compromises or arrangement from any Person, (ix) apply any sums from time to time received to the Obligations, or any part thereof, and change any such application in whole or in part from time to time, (x) otherwise deal with, or waive or modify their right to deal with, any Person and security. In their dealings with the Obligors, the Secured Party and the Lenders need not enquire into the authority or power of any Person purporting to act for or on behalf of the Obligors; *provided*, that in no case may the Secured Party or the Lenders take any action that would increase the amount of the Obligations, or any obligation of the Guarantor, in a manner contrary to the terms of the Credit Agreement.

Section 3.8. Rights of Subrogation. Any rights of subrogation acquired by the Guarantor by reason of payment under this Guarantee, and not terminated pursuant to Section 3.6, shall not be exercised until the Obligations and all other amounts due by the Obligors to the Lenders pursuant to the terms of the Credit Documents have been paid or repaid in full and such rights of subrogation shall be no greater than the rights held by the Lenders. In the event (i) of the liquidation, winding up or bankruptcy of any Obligor (whether voluntary or compulsory), (ii) that any Obligor makes a bulk sale of any of its assets within the provisions of any bulk sales legislation, or (iii) that any Obligor makes any composition with creditors or enters into any scheme of arrangement, the Secured Party has the right to rank in priority to the Guarantor for its full claims in respect of the Obligations and receive all dividends and other payments until their claims have been paid in full. The Guarantor will continue to be liable, less any payments made

by it, for any balance which may be owing to the Lenders by the Obligors. No valuation or retention of its security by the Secured Party shall, as between the Secured Party and the Guarantor, be considered as a purchase of such security or as payment or satisfaction or reduction of all or any part of the Obligations. If any amount is paid to the Guarantor at any time when all the Obligations and other amounts due by the Obligors to the Lenders pursuant to the terms of the Credit Documents have not been paid in full, the amount will be immediately paid to the Lenders to be credited and applied to the Obligations, whether matured or unmatured. The Guarantor has no recourse against the Secured Party for any invalidity, non-perfection or unenforceability of any security held by the Secured Party or any irregularity or defect in the manner or procedure by which the Secured Party realizes on such security. If the Guarantor shall make a payment to the Secured Party of all or any portion of the Obligations and if all of the Obligations shall be paid in full, the Secured Party will, at the Guarantor's request and expense, execute and deliver to the Guarantor (without recourse, representation or warranty) appropriate documents necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Obligations resulting from such payment by the Guarantor.

Section 3.9. No Set-off. To the fullest extent permitted by law, the Guarantor makes all payments under this Guarantee without regard to any defense, counter-claim or right of set-off available to it.

Section 3.10. Successors of the Obligors. This Guarantee will not be revoked by any change in the constitution of any Obligor. This Guarantee and the Guarantor Security Documents extend to any person, firm or corporation acquiring, or from time to time carrying on, the business of any Obligor.

Section 3.11. Continuing Guarantee and Continuing Obligations. The obligation of the Guarantor under Section 2.1 is a continuing guarantee, and the obligations of the Guarantor under Section 2.2 and Section 2.3 are continuing obligations. Each of Section 2.1, Section 2.2 and Section 2.3 extends to all present and future Obligations, applies to and secures the ultimate balance of the Obligations due or remaining due to the Lenders and is binding as a continuing obligation of the Guarantor until the Secured Party releases the Guarantor. This Guarantee will continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by the Secured Party upon the insolvency, bankruptcy or reorganization of any Obligor or otherwise, all as though the payment had not been made.

Section 3.12. Supplemental Security. This Guarantee is in addition and without prejudice to and supplemental to all other guarantees, indemnities, obligations and security now held or which may hereafter be held by the Secured Party.

Section 3.13. Security for Guarantee. The Guarantor acknowledges that this Guarantee is intended to secure payment and performance of the Obligations and that the payment and performance of the Obligations and the other obligations of the Guarantor under this Guarantee are secured pursuant to the terms and provisions of the Guarantor Security Documents.

Section 3.14. Right of Set-off. Upon the occurrence and during the continuance of any Event of Default, the Secured Party is authorized by the Guarantor at any time and from time to time and may, to the fullest extent permitted by law, set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Lenders to or for the credit or the account of the Guarantor against any and all of the obligations of the Guarantor now or hereafter existing irrespective of whether or not (i) the Secured Party has made any demand under this Guarantee, or (ii) any of the obligations comprising the Obligations are contingent or unmatured. The Secured Party agrees promptly to notify the Guarantor after any such set-off and application made by the Secured Party. The rights of the Secured Party under this Section 3.14 are in addition and without prejudice to and supplemental to other rights and remedies which the Secured Party may have.

Section 3.15. Reserved. [Reserved]

Section 3.16. Taxes. (1) All payments to the Lenders by the Guarantor under this Guarantee or under any of the Guarantor Security Documents will be made free and clear of and without deduction or withholding for any and all Indemnified Taxes, unless such Indemnified Taxes are required by applicable law to be deducted or withheld. If the Guarantor is required by applicable law to deduct or withhold any such Indemnified Taxes from or in respect of any amount payable under this Guarantee or under any of the Guarantor Security Documents (i) the amount payable shall be increased (and for greater certainty, in the case of interest, the amount of interest shall be increased) as may be necessary so that after making all required deductions or withholdings (including deductions or withholdings applicable to any additional amounts paid under this Section 3.16), the Lenders receive an amount equal to the amount they would have received if no such deduction or withholding had been made, (ii) the Guarantor will make such deductions or withholdings, and (iii) the Guarantor will immediately pay the full amount deducted or withheld to the relevant Governmental Entity in accordance with applicable law.

(2) The Guarantor agrees to immediately pay any Other Taxes.

(3) The Guarantor will indemnify the Lenders for the full amount of Indemnified Taxes and Other Taxes (including, without limitation, any Indemnified Taxes or Other Taxes imposed by any jurisdiction on amounts payable by the Guarantor under this Section 3.16) paid by the Lenders and any liability (including penalties, interest and expenses) arising from or with respect to such Indemnified Taxes and Other Taxes, whether or not they were correctly or legally asserted. Payment under this indemnification will be made within 30 days from the date the Lenders make written demand for it. A certificate as to the amount of such Indemnified Taxes and Other Taxes submitted to the Guarantor by the Lenders is conclusive evidence, absent manifest error, of the amount due from the Guarantor to the Lenders.

(4) The Guarantor will furnish to the Lenders the original or a certified copy of a receipt evidencing payment of any Indemnified Taxes or Other Taxes made by the Guarantor within 30 days after the date of any payment of such Indemnified Taxes or Other Taxes.

(5) The provisions of this Section 3.16 survive the termination of this Guarantee.

Section 3.17. Judgment Currency. If, for the purpose of obtaining or enforcing judgment against any party in any court in any jurisdiction, it becomes necessary to convert into a particular currency an amount due under this Guarantee or any other Transaction Document, the conversion will be made in accordance with the Credit Agreement.

ARTICLE 4

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 4.1. Credit Agreement Covenants. Until the Obligations and all other amounts owing under this Guarantee are paid or repaid in full, the Obligations are performed in full and the Lenders have no obligations under the Credit Documents, the Guarantor covenants and agrees that it will take, or will refrain from taking, as the case may be, all actions that are necessary to be taken or not taken so that no violation of any provision, covenant or agreement contained in Articles 9 and 10 of the Credit Agreement, insofar as they relate to the Guarantor, and so that no Default or Event of Default, is caused by the actions of the Guarantor or any of its Subsidiaries.

ARTICLE 5

GENERAL

Section 5.1. Notices, etc. Except as otherwise provided herein, whenever it is provided herein that any notice (each a "Notice"), demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this Guarantee, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Credit Agreement.

Section 5.2. No Merger, Survival of Representations and Warranties. The representations, warranties and covenants of the Guarantor in this Guarantee survive the execution and delivery of this Guarantee and each Advance under the Credit Agreement. Notwithstanding any investigation made by or on behalf of the Secured Party, the representations, warranties and covenants in this Guarantee continue in full force and effect.

Section 5.3. Further Assurances. (1) The Guarantor will do all acts and things and execute and deliver, or cause to be executed and delivered, all documents and instruments that the Secured Party may reasonably request to give full effect to this Guarantee and to perfect and preserve the rights and powers of the Secured Party under this Guarantee, including any acknowledgements and confirmations of this Guarantee and the Guarantor Security Documents.

(2) The Guarantor acknowledges and confirms that the Guarantor itself has established its own adequate means of obtaining from the Obligors on a continuing basis all information desired by the Guarantor concerning the financial condition of the Obligors and that the

Guarantor will look to the Obligors and not to the Secured Party, in order for the Guarantor to keep adequately informed of changes in the Obligors' financial condition.

Section 5.4. Successors and Assigns. This Guarantee is binding upon the Guarantor, its successors and assigns, and enures to the benefit of the Secured Party and its respective successors and assigns. This Guarantee may be assigned by the Secured Party without the consent of, or notice to, the Guarantor, to such Person as the Secured Party may determine and, in such event, such Person will be entitled to all of the rights and remedies of the Secured Party as set forth in this Guarantee or otherwise; *provided*, any assignment by the Secured Party with respect to its rights to and under the Credit Documents shall be in accordance with Section 15 of the Credit Agreement. In any action brought by an assignee to enforce any such right or remedy, the Guarantor will not assert against the assignee any claim or defense which the Guarantor now has or may have against the Secured Party. The Guarantor may not assign, transfer or delegate any of its rights or obligations under this Guarantee without the prior written consent of the Secured Party which may be unreasonably withheld.

Section 5.5. Amendment. This Guarantee may only be amended, supplemented or otherwise modified by written agreement executed by the Secured Party and the Guarantor.

Section 5.6. Waivers, etc. (1) No consent or waiver by the Secured Party in respect of this Guarantee is binding unless made in writing and signed by an authorized officer of the Secured Party. Any consent or waiver given under this Guarantee is effective only in the specific instance and for the specific purpose for which given. No waiver of any of the provisions of this Guarantee constitutes a waiver of any other provision.

(2) A failure or delay on the part of the Secured Party in exercising a right under this Guarantee does not operate as a waiver of, or impair, any right of the Secured Party however arising. A single or partial exercise of a right on the part of the Secured Party does not preclude any other or further exercise of that right or the exercise of any other right by the Secured Party.

Section 5.7. Severability. If any court of competent jurisdiction from which no appeal exists or is taken, determines that any provision of this Guarantee is illegal, invalid or unenforceable, that provision will be severed from this Guarantee and the remaining provisions will remain in full force and effect.

Section 5.8. Application of Proceeds. All monies collected by the Lenders under this Guarantee will be applied as provided in the Credit Agreement. To the extent any other Credit Document requires proceeds of collateral under such Credit Document to be applied in accordance with the provisions of this Guarantee, the Secured Party or holder under such other Credit Document shall apply such proceeds in accordance with this Section.

Section 5.9. Reserved. [Reserved]

Section 5.10. Governing Law. (1) This Guarantee will be governed by, interpreted and enforced in accordance with the internal laws of the State of New York.

(2) Each party hereto hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in the City of New York for purposes of all legal proceedings arising out of or relating to this Guarantor. Each party hereto irrevocably waives, to the fullest extent permitted by law, any objection which they may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE GUARANTEE.

Section 5.11. Conflict of Terms. In the event of any conflict or inconsistency between the provisions under this Guarantee and the provisions of the Credit Agreement then, notwithstanding anything contained in this Guarantee, the provisions contained in the Credit Agreement shall prevail and the provisions of this agreement will be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency.


Section 5.12. Termination. This Guarantee may be terminated by written agreement made between the Guarantor and the Secured Party at any time when all of the Obligations have been fully and indefeasibly paid or satisfied and all commitments or other obligations of the Secured Party under the Credit Agreement and other Credit Documents or otherwise have been terminated or cancelled and, the Secured Party shall, within a reasonable time after it receives a written request from the Guarantor, release the Security Interest and execute and deliver any releases and discharges that the Guarantor may reasonably require. The Guarantor shall pay all reasonable expenses incurred by the Secured Party in doing so.

Section 5.13. Counterparts. This Guarantee may be executed in any number of counterparts all of which taken together shall constitute one and the same agreement. Any of the signatories hereto may execute this Guarantee by signing any such counterpart and each of such counterparts shall for all purposes be deemed to be an original. Delivery of a counterpart hereof by facsimile transmission or by e-mail transmission of an Adobe portable document format file (also known as a "PDF" file) shall be effective as delivery of a manually executed counterpart hereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the Guarantor has executed this Guarantee.

BEST MADE TOYS LLC

By: 
Name: Scott S. Johnson
Title: Chairman

SCHEDULE A

GUARANTOR SECURITY DOCUMENTS

Tab E

THIS IS EXHIBIT "E" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

GUARANTEE

between

BEST MADE TOYS HOLDING LLC

and

BANK OF MONTREAL, acting through its Chicago Branch

MAY 29, 2015

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Schedule A — Guarantor Security Documents

GUARANTEE

This Guarantee is dated as of May 29, 2015, by and among BEST MADE TOYS HOLDING LLC, a Delaware limited liability company (the "*Guarantor*") and BANK OF MONTREAL, acting through its Chicago Branch (the "*Secured Party*").

RECITALS:

A. The Secured Party, as U.S. Lender, and Bank of Montreal, acting through its Chicago Branch, as Canadian Lender (collectively the "*Lenders*") have agreed to provide certain credit facilities to Best Made Toys Holding, LLC, a Delaware limited liability company, as U.S. Borrower, and Best Made Toys International ULC, a British Columbia corporation, as Canadian Borrower (the "*Canadian Borrower*" and together with the U.S. Borrower, the "*Borrowers*") for such purposes as are established by the terms and conditions of a credit agreement dated as of the date hereof (including all annexes, exhibits and schedules thereto, as from time to time amended, restated, supplemented or otherwise modified and in effect, the "*Credit Agreement*").

B. The Guarantor is a subsidiary or an affiliate of the Borrowers.

C. The Guarantor considers it in its best interest to provide this guarantee as the Guarantor will derive substantial direct and indirect benefits from the Secured Party providing credit and other financial accommodations to the Borrowers and their affiliates.

D. The interdependent nature of the businesses of the Obligors is such that the viability of each Obligor is dependent upon the continued success of the other Obligors and, upon the continuation of such Obligor's business relationships with the other Obligors, and the continuation thereof necessitates the Borrowers' access to credit and other financial accommodations from the Secured Party.

E. As a condition precedent to the Lenders entering into the Credit Agreement, and making the credit facilities and other financial accommodations available to the Borrowers, the Guarantor is required to enter into this agreement to secure the payment and performance of the Obligations.

In consideration of the foregoing and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Guarantor agrees as follows.

ARTICLE 1

INTERPRETATION

Section 1.1. Defined Terms. Capitalized terms used in this agreement and not otherwise defined have the meanings given to them in the Credit Agreement.

As used in this Guarantee the following terms have the following meanings:

"Credit Documents" means the Credit Agreement, this Guarantee and each other Credit Document (as such term is defined in the Credit Agreement).

"Excluded Taxes" means, with respect to any agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Guarantor hereunder, (i) Taxes imposed on or measured by its net or overall gross income, capital taxes and franchise taxes imposed on it, by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, and (ii) any branch profits taxes or any similar tax imposed by any jurisdiction in which the Lender is located.

"Guarantor Security Documents" means the agreements described in Schedule "A" and any other documents or writings evidencing the security held by the Secured Party, from time to time for the Guarantor's obligations under this Guarantee.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Obligations" means (i) all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, at any time or from time to time due or accruing due and owing by or otherwise payable by the Obligors to the Lenders or either of them, in any currency, under or in connection with or pursuant to the Credit Agreement and any other Credit Document to which any Obligor is a party and whether incurred by an Obligor alone or jointly with another or others and whether as principal, guarantor or surety and in whatever name or style, and (ii) the due performance and compliance by the Obligors with all of the terms and conditions of the Credit Agreement and the other Credit Documents, as such debts, liabilities and obligations may be varied from time to time as contemplated by Section 3.7.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise and property taxes, charges or similar levies arising from any payment made by the Guarantor under this Guarantee or under any of the Guarantor Security Documents or from the execution, delivery or enforcement of, or otherwise with respect to, this Guarantee or any of the Guarantor Security Documents, in each case, including any interest, additions to tax or penalties applicable thereto.

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

Section 1.2. Interpretation. (1) Capitalized terms used in this Guarantee but not defined have the meanings given to them in the Credit Agreement.

(2) In this Guarantee the words "including", "includes" and "include" mean "including (or includes or include) without limitation". 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". The expression "Article", "Section" or other subdivision followed by a number mean and refer to the specified Article, Section or other subdivision of this Guarantee.

(3) Any reference in this Guarantee to gender includes all genders. Words importing the singular number only include the plural and vice versa.

(4) The division of this Guarantee into Articles, Sections and other subdivisions and the insertion of headings are for convenient reference only and are not to affect its interpretation.

(5) The schedules attached to this Guarantee form an integral part of it for all purposes of it.

(6) Any reference to this Guarantee, any other Credit Document or any Guarantor Security Document refers to this Guarantee or such other Credit Document or Guarantor Security Document as the same may have been or may from time to time be amended, modified, extended, renewed, restated, replaced or supplemented and includes all schedules to it. Except as otherwise provided in this Guarantee, any reference in this Guarantee to a statute refers to such statute and all rules and regulations made under it as the same may have been or may from time to time be amended or re-enacted.

(7) All references in this Guarantee to dollars, unless otherwise specifically indicated, are expressed in United States currency.

ARTICLE 2

GUARANTEE

Section 2.1. Guarantee. The Guarantor irrevocably and unconditionally guarantees to the Secured Party the due and punctual payment, and the due performance, whether at stated maturity, by acceleration or otherwise, of the Obligations. The Guarantor agrees that the Obligations will be paid to the Lenders strictly in accordance with their terms and conditions.

Section 2.2. Indemnity. If any or all of the Obligations are not duly performed by the Obligors and are not performed by the Guarantor under Section 2.1 for any reason whatsoever, the Guarantor will, as a separate and distinct obligation, indemnify and save harmless the Secured Party in accordance with Section 13.2 of the Credit Agreement.

Section 2.3. Primary Obligation. If any or all of the Obligations are not duly performed by the Obligors and are not performed by the Guarantor under Section 2.1 or the Secured Party is not indemnified under Section 2.2, in each case, for any reason whatsoever, such Obligations will, as a separate and distinct obligation, be performed by the Guarantor as primary obligor.

Section 2.4. Absolute Liability. The Guarantor agrees that the liability of the Guarantor under Section 2.1 and Section 2.3 and, for greater certainty, under Section 2.2, is absolute and unconditional irrespective of:

(a) the lack of validity or enforceability of any terms of any of the Credit Documents;

(b) any contest by any Obligor or any other Person as to the amount of the Obligations, the validity or enforceability of any terms of the Credit Documents or the perfection or priority of any security granted to the Secured Party;

(c) any defense, counterclaim or right of set-off available to any Obligor, other than payment and performance;

(d) any release, compounding or other variance of the liability of the Obligors or any other Person liable in any manner under or in respect of the Obligations (other than by written consent of the Secured Party) or the extinguishment of all or any part of the Obligations by operation of law;

(e) any change in the time or times for, or place or manner or terms of payment or performance of the Obligations or any consent, waiver, renewal, alteration, extension, compromise, arrangement, concession, release, discharge or other indulgences which the Lenders may grant to the Obligors or any other Person (other than the Guarantor);

(f) any amendment or supplement to, or alteration or renewal of, or restatement, replacement, refinancing or modification or variation of (including any increase in the amounts available thereunder or the inclusion of an additional borrower thereunder), or other action or inaction under, the Credit Agreement, the other Credit Documents or any other related document or instrument, or the Obligations;

(g) any discontinuance, termination, reduction, renewal, increase, abstention from renewing or other variation of any credit or credit facilities to, or the terms or conditions of any transaction with, the Obligors or any other Person (other than the Guarantor);

(h) any change in the ownership, control, name, objects, businesses, assets, capital structure or constitution of the Obligors or any reorganization (whether by way of reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise) of the Obligors or their respective businesses;

(i) any dealings with the security which the Secured Party hold or may hold pursuant to the terms and conditions of the Credit Documents, including the taking, giving up or exchange of securities, their variation or realization, the accepting of compositions and the granting of releases and discharges;

(j) any limitation of status or power, disability, incapacity or other circumstance relating to the Obligors or any other Person, including any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, winding-up or other like proceeding involving or affecting the Obligors or any other Person or any action taken with respect to this Guarantee by any trustee or receiver, or by any court, in any such proceeding, whether or not the Guarantor shall have notice or knowledge of any of the foregoing;

(k) the assignment of all or any part of the benefits of this Guarantee in accordance with Section 5.4;

(l) any impossibility, impracticability, frustration of purpose, force majeure or illegality of any Credit Document, or the occurrence of any change in the laws, rules, regulations or ordinances of any jurisdiction or by any present or future action of (i) any governmental entity that amends, varies, reduces or otherwise affects, or purports to amend, vary, reduce or otherwise affect, any of the Obligations or the obligations of the Guarantor under this Guarantee, or (ii) any court order that amends, varies, reduces or otherwise affects any of the Obligations;

(m) any taking or failure to take security, any loss of, or loss of value of, any security, or any invalidity, non-perfection or unenforceability of any security held by the Secured Party, or any exercise or enforcement of, or failure to exercise or enforce, security, or irregularity or defect in the manner or procedure by which the Secured Party realize on such security;

(n) any application of any sums received to the Obligations, or any part thereof, and any change in such application, to the extent the Obligations are not satisfied by such sums; and

(o) any other circumstances which might otherwise constitute a defense available to, or a discharge of, the Guarantor, the Obligors or any other Person in respect of the Obligations or this Guarantee, other than payment and performance.

Section 2.5. Right of Recovery. Notwithstanding anything in this Guarantee to the contrary, the right of recovery against the Guarantor under this Guarantee shall not exceed \$1.00 less than the lowest amount which would render the Guarantor's obligations under this Guarantee void or voidable under applicable law, including fraudulent conveyance law.

ARTICLE 3

ENFORCEMENT

Section 3.1. Remedies. The Secured Party is not bound to exhaust its recourse against the Obligors or any other Person or realize on any security they may hold in respect of the Obligations before being entitled to (i) enforce payment and performance under this Guarantee or (ii) pursue any other remedy against the Guarantor.

Section 3.2. Amount of Obligations. Any account settled or stated by or between the Secured Party and the Obligors, or if any such account has not been settled or stated immediately before demand for payment under this Guarantee, any account stated by the Secured Party shall, in the absence of manifest mathematical error, be accepted by the Guarantor as conclusive evidence of the amount of the Obligations which is due by the Obligors to the Secured Party or remains unpaid by the Obligors to the Secured Party.

Section 3.3. Payment on Demand. The Guarantor will pay and perform the Obligations and pay all other amounts payable by it to the Secured Party under this Guarantee, and the obligation to do so arises, immediately after demand for such payment or performance is made in writing to it. The liability of the Guarantor bears interest from the date of such demand at the rate or rates of interest then applicable to the Obligations under and calculated in the manner provided in the Credit Documents.

Section 3.4. Costs and Expenses. The Guarantor is liable for and will pay on demand by the Secured Party any and all reasonable and documented expenses, costs and charges incurred in connection with this Guarantee, including all reasonable legal fees, courts costs, receivers or agent's remuneration and other expenses in connection with enforcing any of their rights under this Guarantee.

Section 3.5. Assignment and Postponement. (1) All obligations, liabilities and indebtedness of all other obligors to the Guarantor of any nature whatsoever and all security therefor (the "*Intercorporate Indebtedness*") are assigned and transferred to the Secured Party as continuing and collateral security for the Guarantor's obligations under this Guarantee and postponed to the payment in full of all Obligations. Until notice to the Guarantor of the occurrence of an Event of Default that is continuing the Guarantor may receive payments in respect of the Intercorporate Indebtedness as permitted under the Credit Agreement. The Guarantor will not assign all or any part of the Intercorporate Indebtedness to any Person other than the Secured Party except as otherwise permitted under the Credit Agreement and the other Credit Documents.

(2) Upon notice to the Guarantor of the occurrence and during the continuation of an Event of Default, all Intercorporate Indebtedness will be held in trust for the Secured Party and will be collected, enforced or proved subject to, and for the purpose of, this Guarantee. In such event, any payments received by the Guarantor in respect of the Intercorporate Indebtedness will be held in trust for the Secured Party and segregated from other funds and property held by the Guarantor and immediately paid to the Secured Party on account of the Obligations.

(3) The Intercorporate Indebtedness shall not be released or withdrawn by the Guarantor without the prior written consent of the Secured Party. The Guarantor will not allow a limitation period to expire on the Intercorporate Indebtedness or ask for or obtain any security or negotiable paper for, or other evidence of, the Intercorporate Indebtedness except for the purpose of delivering the same to the Secured Party.

(4) In the event of any insolvency, bankruptcy or other proceeding involving the liquidation, arrangement, compromise, reorganization or other relief with respect to any Obligor

or its debts, the Guarantor will, upon the reasonable request of the Secured Party, make and present a proof of claim or commence such other proceedings against the applicable Obligor on account of the Intercorporate Indebtedness as may be reasonably necessary to establish the Guarantor's entitlement to payment of any Intercorporate Indebtedness. Such proof of claim or other proceeding must be made or commenced prior to the earlier of (i) the day which is 30 days after notice requesting such action is delivered by or on behalf of the Secured Party to the Guarantor and (ii) the day which is 10 days preceding the date when such proof of claim or other proceeding is required by applicable law to be made or commenced. Such proof of claim or other proceeding must be in form and substance acceptable to the Secured Party.

(5) If the Guarantor fails to make and file such proof of claim or commence such other proceeding in accordance with this Section, the Secured Party is irrevocably authorized, empowered and directed and appointed the true and lawful attorney of the Guarantor (but is not obliged) with the power to exercise for and on behalf of the Guarantor the following rights, upon the occurrence and during the continuance of an Event of Default: (i) to make and present for and on behalf of the Guarantor proofs of claims or other such proceedings against the Obligors on account of the Intercorporate Indebtedness, (ii) to demand, sue for, receive and collect any and all dividends or other payments or disbursements made in respect of the Intercorporate Indebtedness in whatever form the same may be paid or issued and to apply the same on account of the Obligations, and (iii) to demand, sue for, collect and receive each such payment and distribution and give acquittance therefor and to file claims and take such other actions, in its own name or in the name of the Guarantor or otherwise, as the Secured Party may deem necessary or advisable to enforce its rights under this Guarantee.

(6) The Guarantor will execute all subordinations, postponements, assignments and other agreements as the Secured Party may reasonably request to more effectively subordinate and postpone the Intercorporate Indebtedness to the payment and performance of the Obligations.

(7) The provisions of this Section 3.5 survive the termination of this Guarantee and remain in full force and effect until (i) the Obligations and all other amounts owing by an Obligor under the Credit Documents are repaid in full; and (ii) the Secured Party has no further obligation under any of the Credit Documents.

Section 3.6. Suspension and Waiver of Guarantor Rights. So long as there are any Obligations, the Guarantor will not exercise any rights which it may at any time have by reason of the performance of any of its obligations under this Guarantee (i) to be indemnified by any Obligor, (ii) to claim contribution from any other guarantor of the debts, liabilities or obligations of any Obligor, or (iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Secured Party under any of the Credit Documents. The Guarantor hereby agrees in favor of the Obligors and the Secured Party, that any such rights of indemnification, contribution, or subrogation terminate in the event of a sale, foreclosure or other disposition of any of the equity securities of any Obligor or the Guarantor in connection with an exercise of rights and remedies by the Lenders. The Guarantor further agrees that the Obligors and other guarantors of the debts, liabilities and obligations of the Obligors are intended third party beneficiaries of the Guarantor's agreement contained in this Section 3.6. In furtherance of

the foregoing, the payment by the Guarantor of any amount or amounts to the Lenders pursuant hereto shall not in any way entitle the Guarantor, either at law, in equity or otherwise, to any right, title or interest (whether by way of subrogation or otherwise) in and to the Obligations or any part thereof or any collateral security therefor or any other rights or remedies in any way relating thereto or in and to any amounts theretofor, then or thereafter paid or applicable to the payment thereof howsoever such payment may be made and from whatsoever source such payment may be derived unless and until all of the Obligations and all costs and expenses suffered or incurred by the Lenders in enforcing this Guaranty have been paid and satisfied in full and the commitments of the Lenders to extend credit to the Borrowers under the Credit Agreement shall have expired or terminated and unless and until such payment in full and termination, any payments made by the Guarantor hereunder and any other payments from whatsoever source derived on account of or applicable to the Obligations or any part thereof shall be held and taken to be merely payments in gross to the Lenders reducing pro tanto the Obligations. The Guarantor waives any and all defenses, claims, and discharges of the Borrowers, and of any other Obligor, pertaining to the Obligations, except the defense of discharge by payment in full. Without limiting the generality of the foregoing, the Guarantor will not assert, plead or enforce against any Lender any defense of waiver, release, discharge in bankruptcy, statute of limitations, res judicata, statute of frauds, anti-deficiency statute, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to any Borrower or any other Obligor, or any set-off available against the Lenders to the Borrowers or any Obligor, whether or not on account of a related transaction. The Guarantor agrees that the Guarantor shall be and remain liable for any deficiency remaining after foreclosure or other realization on any lien or security interest securing the Obligors, whether or not the liability of the Borrowers or any other Obligor for such deficiency is discharged pursuant to statute or judicial decision.

Section 3.7. No Prejudice to Secured Party. The Secured Party is not prejudiced in any way in the right to enforce any provision of this Guaranty by any act or failure to act on the part of the Obligors or the Secured Party. The Secured Party and the Lenders may, at any time and from time to time, in such manner as any of them may determine is expedient, without any consent of, or notice to, the Guarantor and without impairing or releasing the obligations of the Guarantor (i) change the manner, place, time or terms of payment or performance of the Obligations, (ii) renew or alter the Obligations, (iii) amend, vary, modify, supplement or replace any Credit Document or any other related document or instrument, (iv) discontinue, reduce, renew, increase, abstain from renewing or otherwise vary any credit or credit facilities to, any transaction with, the Obligors or any other Person, (v) release, compound or vary the liability of the Obligors or any other Person liable in any manner under or in respect of the Obligations, (vi) take or abstain from taking securities or collateral from any other Person, or from perfecting securities or collateral of any other Person, (vii) exercise or enforce or refrain from exercising or enforcing any right or security against the Obligors, the Guarantor or any other Person, (viii) accept compromises or arrangement from any Person, (ix) apply any sums from time to time received to the Obligations, or any part thereof, and change any such application in whole or in part from time to time, (x) otherwise deal with, or waive or modify their right to deal with, any Person and security. In their dealings with the Obligors, the Secured Party and the Lenders need not enquire into the authority or power of any Person purporting to act for or on behalf of the Obligors; *provided*, that in no case may the Secured Party or the Lenders take any action that

would increase the amount of the Obligations, or any obligation of the Guarantor, in a manner contrary to the terms of the Credit Agreement.

Section 3.8. Rights of Subrogation. Any rights of subrogation acquired by the Guarantor by reason of payment under this Guarantee, and not terminated pursuant to Section 3.6, shall not be exercised until the Obligations and all other amounts due by the Obligor to the Lenders pursuant to the terms of the Credit Documents have been paid or repaid in full and such rights of subrogation shall be no greater than the rights held by the Lenders. In the event (i) of the liquidation, winding up or bankruptcy of any Obligor (whether voluntary or compulsory), (ii) that any Obligor makes a bulk sale of any of its assets within the provisions of any bulk sales legislation, or (iii) that any Obligor makes any composition with creditors or enters into any scheme of arrangement, the Secured Party has the right to rank in priority to the Guarantor for its full claims in respect of the Obligations and receive all dividends and other payments until their claims have been paid in full. The Guarantor will continue to be liable, less any payments made by it, for any balance which may be owing to the Lenders by the Obligor. No valuation or retention of its security by the Secured Party shall, as between the Secured Party and the Guarantor, be considered as a purchase of such security or as payment or satisfaction or reduction of all or any part of the Obligations. If any amount is paid to the Guarantor at any time when all the Obligations and other amounts due by the Obligor to the Lenders pursuant to the terms of the Credit Documents have not been paid in full, the amount will be immediately paid to the Lenders to be credited and applied to the Obligations, whether matured or unmatured. The Guarantor has no recourse against the Secured Party for any invalidity, non-perfection or unenforceability of any security held by the Secured Party or any irregularity or defect in the manner or procedure by which the Secured Party realizes on such security. If the Guarantor shall make a payment to the Secured Party of all or any portion of the Obligations and if all of the Obligations shall be paid in full, the Secured Party will, at the Guarantor's request and expense, execute and deliver to the Guarantor (without recourse, representation or warranty) appropriate documents necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Obligations resulting from such payment by the Guarantor.

Section 3.9. No Set-off. To the fullest extent permitted by law, the Guarantor makes all payments under this Guarantee without regard to any defense, counter-claim or right of set-off available to it.

Section 3.10. Successors of the Obligor. This Guarantee will not be revoked by any change in the constitution of any Obligor. This Guarantee and the Guarantor Security Documents extend to any person, firm or corporation acquiring, or from time to time carrying on, the business of any Obligor.

Section 3.11. Continuing Guarantee and Continuing Obligations. The obligation of the Guarantor under Section 2.1 is a continuing guarantee, and the obligations of the Guarantor under Section 2.2 and Section 2.3 are continuing obligations. Each of Section 2.1, Section 2.2 and Section 2.3 extends to all present and future Obligations, applies to and secures the ultimate balance of the Obligations due or remaining due to the Lenders and is binding as a continuing obligation of the Guarantor until the Secured Party releases the Guarantor. This Guarantee will continue to be effective or be reinstated, as the case may be, if at any time any payment of any of

the Obligations is rescinded or must otherwise be returned by the Secured Party upon the insolvency, bankruptcy or reorganization of any Obligor or otherwise, all as though the payment had not been made.

Section 3.12. Supplemental Security. This Guarantee is in addition and without prejudice to and supplemental to all other guarantees, indemnities, obligations and security now held or which may hereafter be held by the Secured Party.

Section 3.13. Security for Guarantee. The Guarantor acknowledges that this Guarantee is intended to secure payment and performance of the Obligations and that the payment and performance of the Obligations and the other obligations of the Guarantor under this Guarantee are secured pursuant to the terms and provisions of the Guarantor Security Documents.

Section 3.14. Right of Set-off. Upon the occurrence and during the continuance of any Event of Default, the Secured Party is authorized by the Guarantor at any time and from time to time and may, to the fullest extent permitted by law, set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Lenders to or for the credit or the account of the Guarantor against any and all of the obligations of the Guarantor now or hereafter existing irrespective of whether or not (i) the Secured Party has made any demand under this Guarantee, or (ii) any of the obligations comprising the Obligations are contingent or unmatured. The Secured Party agrees promptly to notify the Guarantor after any such set-off and application made by the Secured Party. The rights of the Secured Party under this Section 3.14 are in addition and without prejudice to and supplemental to other rights and remedies which the Secured Party may have.

Section 3.15. Reserved. [Reserved]

Section 3.16. Taxes. (1) All payments to the Lenders by the Guarantor under this Guarantee or under any of the Guarantor Security Documents will be made free and clear of and without deduction or withholding for any and all Indemnified Taxes, unless such Indemnified Taxes are required by applicable law to be deducted or withheld. If the Guarantor is required by applicable law to deduct or withhold any such Indemnified Taxes from or in respect of any amount payable under this Guarantee or under any of the Guarantor Security Documents (i) the amount payable shall be increased (and for greater certainty, in the case of interest, the amount of interest shall be increased) as may be necessary so that after making all required deductions or withholdings (including deductions or withholdings applicable to any additional amounts paid under this Section 3.16), the Lenders receive an amount equal to the amount they would have received if no such deduction or withholding had been made, (ii) the Guarantor will make such deductions or withholdings, and (iii) the Guarantor will immediately pay the full amount deducted or withheld to the relevant Governmental Entity in accordance with applicable law.

(2) The Guarantor agrees to immediately pay any Other Taxes.

(3) The Guarantor will indemnify the Lenders for the full amount of Indemnified Taxes and Other Taxes (including, without limitation, any Indemnified Taxes or Other Taxes imposed by any jurisdiction on amounts payable by the Guarantor under this Section 3.16) paid by the

Lenders and any liability (including penalties, interest and expenses) arising from or with respect to such Indemnified Taxes and Other Taxes, whether or not they were correctly or legally asserted. Payment under this indemnification will be made within 30 days from the date the Lenders make written demand for it. A certificate as to the amount of such Indemnified Taxes and Other Taxes submitted to the Guarantor by the Lenders is conclusive evidence, absent manifest error, of the amount due from the Guarantor to the Lenders.

(4) The Guarantor will furnish to the Lenders the original or a certified copy of a receipt evidencing payment of any Indemnified Taxes or Other Taxes made by the Guarantor within 30 days after the date of any payment of such Indemnified Taxes or Other Taxes.

(5) The provisions of this Section 3.16 survive the termination of this Guarantee.

Section 3.17. Judgment Currency. If, for the purpose of obtaining or enforcing judgment against any party in any court in any jurisdiction, it becomes necessary to convert into a particular currency an amount due under this Guarantee or any other Transaction Document, the conversion will be made in accordance with the Credit Agreement.

ARTICLE 4

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 4.1. Credit Agreement Covenants. Until the Obligations and all other amounts owing under this Guarantee are paid or repaid in full, the Obligations are performed in full and the Lenders have no obligations under the Credit Documents, the Guarantor covenants and agrees that it will take, or will refrain from taking, as the case may be, all actions that are necessary to be taken or not taken so that no violation of any provision, covenant or agreement contained in Articles 9 and 10 of the Credit Agreement, insofar as they relate to the Guarantor, and so that no Default or Event of Default, is caused by the actions of the Guarantor or any of its Subsidiaries.

ARTICLE 5

GENERAL

Section 5.1. Notices, etc. Except as otherwise provided herein, whenever it is provided herein that any notice (each a "Notice"), demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this Guarantee, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Credit Agreement.

Section 5.2. No Merger, Survival of Representations and Warranties. The representations, warranties and covenants of the Guarantor in this Guarantee survive the

execution and delivery of this Guarantee and each Advance under the Credit Agreement. Notwithstanding any investigation made by or on behalf of the Secured Party, the representations, warranties and covenants in this Guarantee continue in full force and effect.

Section 5.3. Further Assurances. (1) The Guarantor will do all acts and things and execute and deliver, or cause to be executed and delivered, all documents and instruments that the Secured Party may reasonably request to give full effect to this Guarantee and to perfect and preserve the rights and powers of the Secured Party under this Guarantee, including any acknowledgements and confirmations of this Guarantee and the Guarantor Security Documents.

(2) The Guarantor acknowledges and confirms that the Guarantor itself has established its own adequate means of obtaining from the Obligors on a continuing basis all information desired by the Guarantor concerning the financial condition of the Obligors and that the Guarantor will look to the Obligors and not to the Secured Party, in order for the Guarantor to keep adequately informed of changes in the Obligors' financial condition.

Section 5.4. Successors and Assigns. This Guarantee is binding upon the Guarantor, its successors and assigns, and enures to the benefit of the Secured Party and its respective successors and assigns. This Guarantee may be assigned by the Secured Party without the consent of, or notice to, the Guarantor, to such Person as the Secured Party may determine and, in such event, such Person will be entitled to all of the rights and remedies of the Secured Party as set forth in this Guarantee or otherwise; *provided*, any assignment by the Secured Party with respect to its rights to and under the Credit Documents shall be in accordance with Section 15 of the Credit Agreement. In any action brought by an assignee to enforce any such right or remedy, the Guarantor will not assert against the assignee any claim or defense which the Guarantor now has or may have against the Secured Party. The Guarantor may not assign, transfer or delegate any of its rights or obligations under this Guarantee without the prior written consent of the Secured Party which may be unreasonably withheld.

Section 5.5. Amendment. This Guarantee may only be amended, supplemented or otherwise modified by written agreement executed by the Secured Party and the Guarantor.

Section 5.6. Waivers, etc. (1) No consent or waiver by the Secured Party in respect of this Guarantee is binding unless made in writing and signed by an authorized officer of the Secured Party. Any consent or waiver given under this Guarantee is effective only in the specific instance and for the specific purpose for which given. No waiver of any of the provisions of this Guarantee constitutes a waiver of any other provision.

(2) A failure or delay on the part of the Secured Party in exercising a right under this Guarantee does not operate as a waiver of, or impair, any right of the Secured Party however arising. A single or partial exercise of a right on the part of the Secured Party does not preclude any other or further exercise of that right or the exercise of any other right by the Secured Party.

Section 5.7. Severability. If any court of competent jurisdiction from which no appeal exists or is taken, determines that any provision of this Guarantee is illegal, invalid or

unenforceable, that provision will be severed from this Guarantee and the remaining provisions will remain in full force and effect.

Section 5.8. Application of Proceeds. All monies collected by the Lenders under this Guarantee will be applied as provided in the Credit Agreement. To the extent any other Credit Document requires proceeds of collateral under such Credit Document to be applied in accordance with the provisions of this Guarantee, the Secured Party or holder under such other Credit Document shall apply such proceeds in accordance with this Section.

Section 5.9. Reserved. [Reserved]

Section 5.10. Governing Law. (1) This Guarantee will be governed by, interpreted and enforced in accordance with the internal laws of the State of New York.

(2) Each party hereto hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in the City of New York for purposes of all legal proceedings arising out of or relating to this Guarantor. Each party hereto irrevocably waives, to the fullest extent permitted by law, any objection which they may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE GUARANTEE.

Section 5.11. Conflict of Terms. In the event of any conflict or inconsistency between the provisions under this Guarantee and the provisions of the Credit Agreement then, notwithstanding anything contained in this Guarantee, the provisions contained in the Credit Agreement shall prevail and the provisions of this agreement will be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency.

Section 5.12. Termination. This Guarantee may be terminated by written agreement made between the Guarantor and the Secured Party at any time when all of the Obligations have been fully and indefeasibly paid or satisfied and all commitments or other obligations of the Secured Party under the Credit Agreement and other Credit Documents or otherwise have been terminated or cancelled and, the Secured Party shall, within a reasonable time after it receives a written request from the Guarantor, release the Security Interest and execute and deliver any releases and discharges that the Guarantor may reasonably require. The Guarantor shall pay all reasonable expenses incurred by the Secured Party in doing so.

Section 5.13. Counterparts. This Guarantee may be executed in any number of counterparts all of which taken together shall constitute one and the same agreement. Any of the signatories hereto may execute this Guarantee by signing any such counterpart and each of such counterparts shall for all purposes be deemed to be an original. Delivery of a counterpart hereof by facsimile transmission or by e-mail transmission of an Adobe portable document format file (also known as a "PDF" file) shall be effective as delivery of a manually executed counterpart hereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the Guarantor has executed this Guarantee.

BEST MADE TOYS HOLDING LLC

By: Scott S. Johnson
Name Scott S. Johnson
Title Chairman

SCHEDULE A

GUARANTOR SECURITY DOCUMENTS

Tab F

THIS IS EXHIBIT "F" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME
ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

Execution version

GUARANTEE

BETWEEN

BEST MADE TOYS GLOBAL ENTERPRISES LIMITED

and

BANK OF MONTREAL

May 29, 2015

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GUARANTEE

Dated May 29, 2015

BETWEEN:

BEST MADE TOYS GLOBAL ENTERPRISES LIMITED,
a company incorporated with limited liability under the laws of Hong Kong
(the "**Guarantor**")

and

BANK OF MONTREAL (the "**Secured Party**").

RECITALS:

A. The Secured Party, as Canadian Lender, and Bank of Montreal acting through its Chicago Branch, as U.S. Lender (collectively the "**Lenders**") have agreed to provide certain credit facilities to Best Made Toys International, ULC, as Canadian Borrower (the "**Canadian Borrower**"), and Best Made Toys Holdings LLC, as U.S. Borrower (the "**U.S. Borrower**" and together with the Canadian Borrower, the "**Borrowers**") for such purposes as are established by the terms and conditions of a credit agreement dated as of the date hereof (including all annexes, exhibits and schedules thereto, as from time to time amended, restated, supplemented or otherwise modified and in effect, the "**Credit Agreement**").

B. The Guarantor considers it in its best interest to provide this guarantee as the Guarantor will derive substantial direct and indirect benefits from the Secured Party providing credit and other financial accommodations to the U.S. Borrower.

C. As a condition precedent to the Lenders entering into the Credit Agreement, and making the credit facilities and other financial accommodations available to the Borrowers, the Guarantor is required to enter into this agreement to secure the payment and performance of its Obligations.

In consideration of the foregoing and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Guarantor agrees as follows.

ARTICLE 1 INTERPRETATION

Section 1.1 Defined Terms.

Capitalized terms used in this agreement and not otherwise defined have the meanings given to them in the Credit Agreement.

As used in this Guarantee the following terms have the following meanings:

"**Credit Documents**" means the Credit Agreement, this Guarantee and each other Credit Document (as such term is defined in the Credit Agreement).

"**Excluded Taxes**" means, with respect to any agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Guarantor

hereunder, (i) Taxes imposed on or measured by its net or overall gross income, capital taxes and franchise taxes imposed on it, by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (ii) any branch profits taxes or any similar tax imposed by any jurisdiction in which the Lender is located, and (iii) Taxes under the Income Tax Act (Canada) on, or deducted or withheld from, any payment or deemed payment to such recipient by reason of the recipient being a Person with whom the Guarantor does not deal at arm's length for purposes of the Income Tax Act (Canada) at the time such payment is made.

"Guarantor Security Documents" means the agreements described in Schedule "A" and any other security held by the Secured Party, from time to time for the Guarantor's obligations under this Guarantee.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Obligations" means (i) all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, at any time or from time to time due or accruing due and owing by or otherwise payable by the Obligor to the Lenders or either of them, in any currency, under or in connection with or pursuant to the Credit Agreement and any other Credit Document to which the applicable Obligor is a party and whether incurred by the applicable Obligor alone or jointly with another or others and whether as principal, guarantor or surety and in whatever name or style, and (ii) the due performance and compliance by the Obligor with all of the terms and conditions of the Credit Agreement and the other Credit Documents, as such debts, liabilities and obligations may be varied from time to time as contemplated by Section 3.7.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise and property taxes, charges or similar levies arising from any payment made by the Guarantor under this Guarantee or under any of the Guarantor Security Documents or from the execution, delivery or enforcement of, or otherwise with respect to, this Guarantee or any of the Guarantor Security Documents, in each case, including any interest, additions to tax or penalties applicable thereto.

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

Section 1.2 Interpretation.

- (1) Capitalized terms used in this Guarantee but not defined have the meanings given to them in the Credit Agreement.
- (2) In this Guarantee the words **"including"**, **"includes"** and **"include"** mean **"including (or includes or include) without limitation"**. 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"**. The expression **"Article"**, **"Section"** or other subdivision followed by a number mean and refer to the specified Article, Section or other subdivision of this Guarantee.

- (3) Any reference in this Guarantee to gender includes all genders. Words importing the singular number only include the plural and vice versa.
- (4) The division of this Guarantee into Articles, Sections and other subdivisions and the insertion of headings are for convenient reference only and are not to affect its interpretation.
- (5) The schedules attached to this Guarantee form an integral part of it for all purposes of it.
- (6) Any reference to this Guarantee, any Credit Document or any Guarantor Security Document refers to this Guarantee or such Credit Document or Guarantor Security Document as the same may have been or may from time to time be amended, modified, extended, renewed, restated, replaced or supplemented and includes all schedules to it. Except as otherwise provided in this Guarantee, any reference in this Guarantee to a statute refers to such statute and all rules and regulations made under it as the same may have been or may from time to time be amended or re-enacted.
- (7) All references in this Guarantee to dollars, unless otherwise specifically indicated, are expressed in Canadian currency.

ARTICLE 2 GUARANTEE

Section 2.1 Guarantee.

The Guarantor irrevocably and unconditionally guarantees to the Secured Party the due and punctual payment, and the due performance, whether at stated maturity, by acceleration or otherwise, of the Obligations. The Guarantor agrees that the Obligations will be paid to the Lenders strictly in accordance with their terms and conditions.

Section 2.2 Indemnity.

If any or all of the Obligations are not duly performed by the Obligors and are not performed by the Guarantor under Section 2.1 for any reason whatsoever, the Guarantor will, as a separate and distinct obligation, indemnify and save harmless the Secured Party in accordance with Section 13.2 of the Credit Agreement.

Section 2.3 Primary Obligation.

If any or all of the Obligations are not duly performed by the Obligors and are not performed by the Guarantor under Section 2.1 or the Secured Party is not indemnified under Section 2.2, in each case, for any reason whatsoever, such Obligations will, as a separate and distinct obligation, be performed by the Guarantor as primary obligor.

Section 2.4 Absolute Liability.

The Guarantor agrees that the liability of the Guarantor under Section 2.1 and Section 2.3 and, for greater certainty, under Section 2.2, is absolute and unconditional irrespective of:

- (a) the lack of validity or enforceability of any terms of any of the Credit Documents;

- (b) any contest by any Obligor or any other Person as to the amount of the Obligations, the validity or enforceability of any terms of the Credit Documents or the perfection or priority of any security granted to the Secured Party;
- (c) any defence, counter claim or right of set-off available to any Obligor;
- (d) any release, compounding or other variance of the liability of the Obligors or any other Person liable in any manner under or in respect of the Obligations or the extinguishment of all or any part of the Obligations by operation of law;
- (e) any change in the time or times for, or place or manner or terms of payment or performance of the Obligations or any consent, waiver, renewal, alteration, extension, compromise, arrangement, concession, release, discharge or other indulgences which the Lenders may grant to the Obligors or any other Person;
- (f) any amendment or supplement to, or alteration or renewal of, or restatement, replacement, refinancing or modification or variation of (including any increase in the amounts available thereunder or the inclusion of an additional borrower thereunder), or other action or inaction under, the Credit Agreement, the other Credit Documents or any other related document or instrument, or the Obligations;
- (g) any discontinuance, termination, reduction, renewal, increase, abstention from renewing or other variation of any credit or credit facilities to, or the terms or conditions of any transaction with, the Obligors or any other Person;
- (h) any change in the ownership, control, name, objects, businesses, assets, capital structure or constitution of the Obligors or any reorganization (whether by way of reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise) of the Obligors or their respective businesses;
- (i) any dealings with the security which the Secured Party hold or may hold pursuant to the terms and conditions of the Credit Documents, including the taking, giving up or exchange of securities, their variation or realization, the accepting of compositions and the granting of releases and discharges;
- (j) any limitation of status or power, disability, incapacity or other circumstance relating to the Obligors or any other Person, including any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, winding-up or other like proceeding involving or affecting the Obligors or any other Person or any action taken with respect to this Guarantee by any trustee or receiver, or by any court, in any such proceeding, whether or not the Guarantor shall have notice or knowledge of any of the foregoing;
- (k) the assignment of all or any part of the benefits of this Guarantee;
- (l) any impossibility, impracticability, frustration of purpose, force majeure or illegality of any Credit Document, or the occurrence of any change in the laws, rules, regulations or ordinances of any jurisdiction or by any present or future action of (i) any governmental entity that amends, varies, reduces or otherwise affects, or purports to amend, vary, reduce or otherwise affect, any of the

Obligations or the obligations of the Guarantor under this Guarantee, or (ii) any court order that amends, varies, reduces or otherwise affects any of the Obligations;

- (m) any taking or failure to take security, any loss of, or loss of value of, any security, or any invalidity, non-perfection or unenforceability of any security held by the Secured Party, or any exercise or enforcement of, or failure to exercise or enforce, security, or irregularity or defect in the manner or procedure by which the Secured Party realize on such security;
- (n) any application of any sums received to the Obligations, or any part thereof, and any change in such application; and
- (o) any other circumstances which might otherwise constitute a defence available to, or a discharge of, the Guarantor, the Obligors or any other Person in respect of the Obligations or this Guarantee.

ARTICLE 3 ENFORCEMENT

Section 3.1 Remedies.

The Secured Party is not bound to exhaust its recourse against the Obligors or any other Person or realize on any security they may hold in respect of the Obligations before being entitled to (i) enforce payment and performance under this Guarantee or (ii) pursue any other remedy against the Guarantor, and the Guarantor renounces all benefits of discussion and division.

Section 3.2 Amount of Obligations.

Any account settled or stated by or between the Secured Party and the Obligors, or if any such account has not been settled or stated immediately before demand for payment under this Guarantee, any account stated by the Secured Party shall, in the absence of manifest mathematical error, be accepted by the Guarantor as conclusive evidence of the amount of the Obligations which is due by the Obligors to the Secured Party or remains unpaid by the Obligors to the Secured Party.

Section 3.3 Payment on Demand.

The Guarantor will pay and perform the Obligations and pay all other amounts payable by it to the Secured Party under this Guarantee, and the obligation to do so arises, immediately after demand for such payment or performance is made in writing to it. The liability of the Guarantor bears interest from the date of such demand at the rate or rates of interest then applicable to the Obligations under and calculated in the manner provided in the Credit Documents (including any adjustment to give effect to the provisions of the *Interest Act* (Canada)).

Section 3.4 Costs and Expenses.

The Guarantor is liable for and will pay on demand by the Secured Party any and all reasonable expenses, costs and charges incurred in connection with this Guarantee, including

all reasonable legal fees, courts costs, receivers or agent's remuneration and other expenses in connection with enforcing any of their rights under this Guarantee.

Section 3.5 Assignment and Postponement.

- (1) All obligations, liabilities and indebtedness of all other obligors to the Guarantor of any nature whatsoever and all security therefor (the "**Intercompany Indebtedness**") are assigned and transferred to the Secured Party as continuing and collateral security for the Guarantor's obligations under this Guarantee and postponed to the payment in full of all Obligations. Until the occurrence of an Event of Default that is continuing the Guarantor may receive payments in respect of the Intercompany Indebtedness as permitted under the Credit Agreement. The Guarantor will not assign all or any part of the Intercompany Indebtedness to any Person other than the Secured Party.
- (2) Upon the occurrence and during the continuation of an Event of Default, all Intercompany Indebtedness will be held in trust for the Secured Party and will be collected, enforced or proved subject to, and for the purpose of, this Guarantee. In such event, any payments received by the Guarantor in respect of the Intercompany Indebtedness will be held in trust for the Secured Party and segregated from other funds and property held by the Guarantor and immediately paid to the Secured Party on account of the Obligations.
- (3) The Intercompany Indebtedness shall not be released or withdrawn by the Guarantor without the prior written consent of the Secured Party. The Guarantor will not allow a limitation period to expire on the Intercompany Indebtedness or ask for or obtain any security or negotiable paper for, or other evidence of, the Intercompany Indebtedness except for the purpose of delivering the same to the Secured Party.
- (4) In the event of any insolvency, bankruptcy or other proceeding involving the liquidation, arrangement, compromise, reorganization or other relief with respect to any Obligor or its debts, the Guarantor will, upon the request of the Secured Party, make and present a proof of claim or commence such other proceedings against the applicable Obligor on account of the Intercompany Indebtedness as may be reasonably necessary to establish the Guarantor's entitlement to payment of any Intercompany Indebtedness. Such proof of claim or other proceeding must be made or commenced prior to the earlier of (i) the day which is 30 days after notice requesting such action is delivered by or on behalf of the Secured Party to the Guarantor and (ii) the day which is 10 days preceding the date when such proof of claim or other proceeding is required by applicable law to be made or commenced. Such proof of claim or other proceeding must be in form and substance acceptable to the Secured Party.
- (5) If the Guarantor fails to make and file such proof of claim or commence such other proceeding in accordance with this Section, the Secured Party is irrevocably authorized, empowered and directed and appointed the true and lawful attorney of the Guarantor (but is not obliged) with the power to exercise for and on behalf of the Guarantor the following rights, upon the occurrence and during the continuance of an Event of Default: (i) to make and present for and on behalf of the Guarantor proofs of claims or other such proceedings against the Obligors on account of the Intercompany Indebtedness, (ii) to demand, sue for, receive and collect any and all dividends or other payments or disbursements made in respect of the Intercompany Indebtedness in whatever form the same may be paid or issued and to apply the same on account of the Obligations, and

- (iii) to demand, sue for, collect and receive each such payment and distribution and give acquittance therefor and to file claims and take such other actions, in its own name or in the name of the Guarantor or otherwise, as the Secured Party may deem necessary or advisable to enforce its rights under this Guarantee.
- (6) The Guarantor will execute all subordinations, postponements, assignments and other agreements as the Secured Party may reasonably request to more effectively subordinate and postpone the Intercompany Indebtedness to the payment and performance of the Obligations.
- (7) The provisions of this Section 3.5 survive the termination of this Guarantee and remain in full force and effect until (i) the Obligations and all other amounts owing under the Credit Documents are repaid in full; and (ii) the Secured Party has no further obligation under any of the Credit Documents.

Section 3.6 Suspension of Guarantor Rights.

So long as there are any Obligations, the Guarantor will not exercise any rights which it may at any time have by reason of the performance of any of its obligations under this Guarantee (i) to be indemnified by any Obligor, (ii) to claim contribution from any other guarantor of the debts, liabilities or obligations of any Obligor, or (iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Secured Party under any of the Credit Documents. The Guarantor hereby agrees in favour of the Obligors and the Secured Party, that any such rights of indemnification, contribution, or subrogation terminate in the event of a sale, foreclosure or other disposition of any of the equity securities of any Obligor or the Guarantor in connection with an exercise of rights and remedies by the Lenders. The Guarantor further agrees that the Obligors and other guarantors of the debts, liabilities and obligations of the Obligors are intended third party beneficiaries of the Guarantor's agreement contained in this Section 3.6.

Section 3.7 No Prejudice to Secured Party.

The Secured Party is not prejudiced in any way in the right to enforce any provision of this Guarantee by any act or failure to act on the part of the Obligors or the Secured Party. The Secured Party and the Lenders may, at any time and from time to time, in such manner as any of them may determine is expedient, without any consent of, or notice to, the Guarantor and without impairing or releasing the obligations of the Guarantor (i) change the manner, place, time or terms of payment or performance of the Obligations, (ii) renew or alter the Obligations, (iii) amend, vary, modify, supplement or replace any Credit Document or any other related document or instrument, (iv) discontinue, reduce, renew, increase, abstain from renewing or otherwise vary any credit or credit facilities to, any transaction with, the Obligors or any other Person, (v) release, compound or vary the liability of the Obligors or any other Person liable in any manner under or in respect of the Obligations, (vi) take or abstain from taking securities or collateral from any other Person, or from perfecting securities or collateral of any other Person, (vii) exercise or enforce or refrain from exercising or enforcing any right or security against the Obligors, the Guarantor or any other Person, (viii) accept compromises or arrangement from any Person, (ix) apply any sums from time to time received to the Obligations, or any part thereof, and change any such application in whole or in part from time to time, (x) otherwise deal with, or waive or modify their right to deal with, any Person and security. In their dealings with the Obligors, the Secured Party and the Lenders need not enquire into the authority or power of any Person purporting to act for or on behalf of the Obligors.

Section 3.8 Rights of Subrogation.

Any rights of subrogation acquired by the Guarantor by reason of payment under this Guarantee, and not terminated pursuant to Section 3.6, shall not be exercised until the Obligations and all other amounts due to the Lenders have been paid or repaid in full and such rights of subrogation shall be no greater than the rights held by the Lenders. In the event (i) of the liquidation, winding up or bankruptcy of any Obligor (whether voluntary or compulsory), (ii) that any Obligor makes a bulk sale of any of its assets within the provisions of any bulk sales legislation, or (iii) that any Obligor makes any composition with creditors or enters into any scheme of arrangement, the Secured Party has the right to rank in priority to the Guarantor for its full claims in respect of the Obligations and receive all dividends and other payments until their claims have been paid in full. The Guarantor will continue to be liable, less any payments made by it, for any balance which may be owing to the Lenders by the Obligors. No valuation or retention of its security by the Secured Party shall, as between the Secured Party and the Guarantor, be considered as a purchase of such security or as payment or satisfaction or reduction of all or any part of the Obligations. If any amount is paid to the Guarantor at any time when all the Obligations and other amounts due to the Lenders have not been paid in full, the amount will be immediately paid to the Lenders to be credited and applied to the Obligations, whether matured or unmatured. The Guarantor has no recourse against the Secured Party for any invalidity, non-perfection or unenforceability of any security held by the Secured Party or any irregularity or defect in the manner or procedure by which the Secured Party realizes on such security.

Section 3.9 No Set-off.

To the fullest extent permitted by law, the Guarantor makes all payments under this Guarantee without regard to any defence, counter-claim or right of set-off available to it.

Section 3.10 Successors of the Obligors.

This Guarantee will not be revoked by any change in the constitution of any Obligor. This Guarantee and the Guarantor Security Documents extend to any person, firm or corporation acquiring, or from time to time carrying on, the business of any Obligor.

Section 3.11 Continuing Guarantee and Continuing Obligations.

The obligation of the Guarantor under Section 2.1 is a continuing guarantee, and the obligations of the Guarantor under Section 2.2 and Section 2.3 are continuing obligations. Each of Section 2.1, Section 2.2 and Section 2.3 extends to all present and future Obligations, applies to and secures the ultimate balance of the Obligations due or remaining due to the Lenders and is binding as a continuing obligation of the Guarantor until the Secured Party releases the Guarantor. This Guarantee will continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by the Secured Party upon the insolvency, bankruptcy or reorganization of any Obligor or otherwise, all as though the payment had not been made.

Section 3.12 Supplemental Security.

This Guarantee is in addition and without prejudice to and supplemental to all other guarantees, indemnities, obligations and security now held or which may hereafter be held by the Secured Party.

Section 3.13 Security for Guarantee.

The Guarantor acknowledges that this Guarantee is intended to secure payment and performance of the Obligations and that the payment and performance of the Obligations and the other obligations of the Guarantor under this Guarantee are secured pursuant to the terms and provisions of the Guarantor Security Documents.

Section 3.14 Right of Set-off.

Upon the occurrence and during the continuance of any Event of Default, the Secured Party is authorized by the Guarantor at any time and from time to time and may, to the fullest extent permitted by law, set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Lenders to or for the credit or the account of the Guarantor against any and all of the obligations of the Guarantor now or hereafter existing irrespective of whether or not (i) the Secured Party has made any demand under this Guarantee, or (ii) any of the obligations comprising the Obligations are contingent or unmatured. The rights of the Secured Party under this Section 3.14 are in addition and without prejudice to and supplemental to other rights and remedies which the Secured Party may have.

Section 3.15 Interest Act (Canada).

The Guarantor acknowledges that certain of the rates of interest applicable to the Obligations may be computed on the basis of a year of 360 days or 365 days, as the case may be and paid for the actual number of days elapsed. For purposes of the *Interest Act* (Canada), whenever any interest is calculated using a rate based on a year of 360 days or 365 days, as the case may be, such rate determined pursuant to such calculation, when expressed as an annual rate is equivalent to (i) the applicable rate based on a year of 360 days or 365 days, as the case may be, (ii) multiplied by the actual number of days in the calendar year in which the period for such interest is payable (or compounded) ends, and (iii) divided by 360 or 365, as the case may be.

Section 3.16 Taxes.

- (1) All payments to the Lenders by the Guarantor under this Guarantee or under any of the Guarantor Security Documents will be made free and clear of and without deduction or withholding for any and all Indemnified Taxes, unless such Indemnified Taxes are required by applicable law to be deducted or withheld. If the Guarantor is required by applicable law to deduct or withhold any such Indemnified Taxes from or in respect of any amount payable under this Guarantee or under any of the Guarantor Security Documents (i) the amount payable shall be increased (and for greater certainty, in the case of interest, the amount of interest shall be increased) as may be necessary so that after making all required deductions or withholdings (including deductions or withholdings applicable to any additional amounts paid under this Section 3.16), the Lenders receive an amount equal to the amount they would have received if no such deduction or withholding had been made, (ii) the Guarantor will make such deductions or withholdings, and (iii) the Guarantor will immediately pay the full amount deducted or withheld to the relevant Governmental Entity in accordance with applicable law.
- (2) The Guarantor agrees to immediately pay any Other Taxes.

- (3) The Guarantor will indemnify the Lenders for the full amount of Indemnified Taxes and Other Taxes (including, without limitation, any Indemnified Taxes or Other Taxes imposed by any jurisdiction on amounts payable by the Guarantor under this Section 3.16) paid by the Lenders and any liability (including penalties, interest and expenses) arising from or with respect to such Indemnified Taxes and Other Taxes, whether or not they were correctly or legally asserted. Payment under this indemnification will be made within 30 days from the date the Lenders make written demand for it. A certificate as to the amount of such Indemnified Taxes and Other Taxes submitted to the Guarantor by the Lenders is conclusive evidence, absent manifest error, of the amount due from the Guarantor to the Lenders.
- (4) The Guarantor will furnish to the Lenders the original or a certified copy of a receipt evidencing payment of any Indemnified Taxes or Other Taxes made by the Guarantor within 30 days after the date of any payment of such Indemnified Taxes or Other Taxes.
- (5) The provisions of this Section 3.16 survive the termination of this Guarantee.

Section 3.17 Judgment Currency.

- (1) If, for the purpose of obtaining or enforcing judgment against any party in any court in any jurisdiction, it becomes necessary to convert into a particular currency an amount due under this Guarantee or any other Transaction Document, the conversion will be made in accordance with the Credit Agreement.

ARTICLE 4 REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 4.1 Credit Agreement Covenants.

Until the Obligations and all other amounts owing under this Guarantee are paid or repaid in full, the Obligations are performed in full and the Lenders have no obligations under the Credit Documents, the Guarantor covenants and agrees that it will take, or will refrain from taking, as the case may be, all actions that are necessary to be taken or not taken so that no violation of any provision, covenant or agreement contained in Articles 9 and 10 of the Credit Agreement, and so that no Default or Event of Default, is caused by the actions of the Guarantor or any of its Subsidiaries.

ARTICLE 5 GENERAL

Section 5.1 Notices, etc.

Except as otherwise provided herein, whenever it is provided herein that any notice (each a "Notice"), demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this Guarantee, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Credit Agreement.

Section 5.2 No Merger, Survival of Representations and Warranties.

The representations, warranties and covenants of the Guarantor in this Guarantee survive the execution and delivery of this Guarantee and each advance under the Credit Agreement. Notwithstanding any investigation made by or on behalf of the Secured Party, the representations, warranties and covenants in this Guarantee continue in full force and effect.

Section 5.3 Further Assurances.

- (1) The Guarantor will do all acts and things and execute and deliver, or cause to be executed and delivered, all documents and instruments that the Secured Party may request to give full effect to this Guarantee and to perfect and preserve the rights and powers of the Secured Party under this Guarantee, including any acknowledgements and confirmations of this Guarantee and the Guarantor Security Documents.
- (2) The Guarantor acknowledges and confirms that the Guarantor itself has established its own adequate means of obtaining from the Obligors on a continuing basis all information desired by the Guarantor concerning the financial condition of the Obligors and that the Guarantor will look to the Obligors and not to the Secured Party, in order for the Guarantor to keep adequately informed of changes in the Obligors' financial condition.

Section 5.4 Successors and Assigns.

This Guarantee is binding upon the Guarantor, its successors and assigns, and enures to the benefit of the Secured Party and its respective successors and assigns. This Guarantee may be assigned by the Secured Party without the consent of, or notice to, the Guarantor, to such Person as the Secured Party may determine and, in such event, such Person will be entitled to all of the rights and remedies of the Secured Party as set forth in this Guarantee or otherwise. In any action brought by an assignee to enforce any such right or remedy, the Guarantor will not assert against the assignee any claim or defence which the Guarantor now has or may have against the Secured Party. The Guarantor may not assign, transfer or delegate any of its rights or obligations under this Guarantee without the prior written consent of the Secured Party which may be unreasonably withheld.

Section 5.5 Amendment.

This Guarantee may only be amended, supplemented or otherwise modified by written agreement executed by the Secured Party.

Section 5.6 Waivers, etc.

- (1) No consent or waiver by the Secured Party in respect of this Guarantee is binding unless made in writing and signed by an authorized officer of the Secured Party. Any consent or waiver given under this Guarantee is effective only in the specific instance and for the specific purpose for which given. No waiver of any of the provisions of this Guarantee constitutes a waiver of any other provision.
- (2) A failure or delay on the part of the Secured Party in exercising a right under this Guarantee does not operate as a waiver of, or impair, any right of the Secured Party however arising. A single or partial exercise of a right on the part of the Secured Party

does not preclude any other or further exercise of that right or the exercise of any other right by the Secured Party.

Section 5.7 Severability.

If any court of competent jurisdiction from which no appeal exists or is taken, determines that any provision of this Guarantee is illegal, invalid or unenforceable, that provision will be severed from this Guarantee and the remaining provisions will remain in full force and effect.

Section 5.8 Application of Proceeds.

All monies collected by the Lenders under this Guarantee will be applied as provided in the Credit Agreement. To the extent any other Credit Document requires proceeds of collateral under such Credit Document to be applied in accordance with the provisions of this Guarantee, the Secured Party or holder under such other Credit Document shall apply such proceeds in accordance with this Section.

Section 5.9 Limitations Act.

Notwithstanding the provisions of the *Limitations Act, 2002* (Ontario), a claim may be brought on this Guarantee at any time within 6 years from the date on which demand for payment of the Obligations is made to the Guarantor in accordance with the terms of this Guarantee.

Section 5.10 Governing Law.

- (1) This Guarantee will be governed by, interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- (2) The Guarantor irrevocably attorns and submits to the exclusive jurisdiction of any court of competent jurisdiction of the Province of Ontario sitting in Toronto, Ontario in any action or proceeding arising out of or relating to this Guarantee and the other Credit Documents to which it is a party. The Guarantor irrevocably waives objection to the venue of any action or proceeding in such court or that such court provides an inconvenient forum. Nothing in this Section limits the right of the Secured Party to bring proceedings against the Guarantor in the courts of any other jurisdiction.
- (3) The Guarantor hereby irrevocably consents to the service of any and all process in any such action or proceeding by the delivery of copies of such process to the Guarantor at the address provided for in Section 5.1. Nothing in this Section affects the right of the Secured Party to serve process in any manner permitted by law.

Section 5.11 Conflict of terms

In the event of any conflict or inconsistency between the provisions under this Guarantee and the provisions of the Credit Agreement then, notwithstanding anything contained in this Guarantee, the provisions contained in the Credit Agreement shall prevail and the provisions of this agreement will be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency.

Section 5.12 Termination

This Guarantee may be terminated by written agreement made between the Guarantor and the Secured Party at any time when all of the Obligations have been fully and indefeasibly paid or satisfied and all commitments or other obligations of the Secured Party under the Credit Agreement and other Credit Documents or otherwise have been terminated or cancelled and , the Secured Party shall, within a reasonable time after it receives a written request from the Guarantor, release the Security Interest and execute and deliver any releases and discharges that the Guarantor may reasonably require. The Guarantor shall pay all expenses incurred by the Secured Party in doing so.

[Signature page follows]

THE GUARANTOR
EXECUTED and DELIVERED
as a DEED by
BEST MADE TOYS GLOBAL
ENTERPRISES LIMITED
acting by:

, a director
and

a director

SCOTT S. JOHNSON
Director

~~LARRY V. NUSBAUM~~
Director

SCHEDULE "A"
GUARANTOR SECURITY DOCUMENTS

Execution version

DATED: May 29, 2015

Debenture

between

Best Made Toys Global Enterprises Limited
as Chargor

Bank of Montreal
as Security Agent

Simmons & Simmons
西盟斯律師行

13th Floor One Pacific Place 88 Queensway Hong Kong

香港 金鐘道 88 號 太古廣場一座 13 字樓

T 電話 +852 2868 1131 F 傳真 +852 2810 5040 DX 225023 Wanchai

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THIS DEBENTURE is made as a Deed on

2015.

BETWEEN:

- (1) **BEST MADE TOYS GLOBAL ENTERPRISES LIMITED** (the "**Chargor**"), a company incorporated under the laws of Hong Kong with company number 2218108 and having its registered office at 13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong; and
- (2) **BANK OF MONTREAL**, as security agent and trustee for the benefit of the Secured Parties (as defined in the Credit Agreement, defined below) (the "**Security Agent**", which expression includes its successor in title and assigns and transferees).

WHEREAS:

- (A) The Finance Parties have agreed to provide to the Canadian Borrower and the U.S. Borrower certain credit facilities for such purposes as are established by the terms and conditions of the Credit Agreement.
- (B) It is a condition of the Credit Agreement that the Chargor shall enter into this Deed as security for the Secured Liabilities.
- (C) It is intended that this Deed shall take effect as a deed notwithstanding that a party may only execute this Deed under hand.
- (D) This Deed is a Credit Document.
- (E) This Deed has been granted in favour of the Security Agent as trustee for and on behalf of itself and the other Secured Parties pursuant to Article 3 of the Credit Agreement and the benefit of any rights of the Security Agent and any security taken pursuant to, or in connection with, this Deed by the Security Agent are granted to the Security Agent in such capacity.

1. **Definitions and interpretation**

1.1 **Definitions**

In this Deed:

"**Account Bank**" such other bank with which any Security Account is maintained from time to time;

"**Acquisition Document**" means Target Purchase Agreements, the Indemnity Agreement and the Transition Services Agreement;

"**Assigned Assets**" means the Security Assets expressed to be assigned by way of security pursuant to clause 4.2 (*Security assignments*);

"**CFC**" has the meaning given to it in clause 3.1;

"**Charged Investments**" means the Charged Securities and all present and future Related Rights accruing to all or any of the Charged Securities;

"**Charged Securities**" means:

- (A) the securities specified in Part 2 of Schedule 1 (*Details of Security Assets*); and
- (B) all other stocks, shares, debentures, bonds, warrants, coupons, negotiable instruments, certificates of deposit or other securities now or in future owned (legally or beneficially) by the Chargor or in which the Chargor has an interest at any time;

"Credit Agreement" means the credit agreement dated on or about the date hereof between the Canadian Borrower as Canadian borrower, the U.S. Borrower as U.S. borrower, the Security Agent as Canadian Lender and Bank of Montreal acting through its Chicago Branch as U.S. Lender (as may be amended, supplemented, restated, replaced, or otherwise modified from time to time);

"Default Rate" means the rate of interest payable determined in accordance with Articles 5.6 (*Overdue Principal and Interest*) and 5.7 (*Interest on Other Amounts*) of the Credit Agreement;

"Delegate" means a delegate or sub-delegate appointed under clause 19 (*Delegation*);

"Excluded Property" means the lease dated 29 December 2014 between Expeditors Hong Kong Limited as landlord and Best Made Toys Global Limited (or, following the transfer of such lease to the Chargor, the Chargor) as tenant in respect of the tenancy of Units 1 and 13 on 2nd Floor, South Sea Centre, No. 75 Mody Road, Kowloon, Hong Kong (as may be amended, supplemented, restated, replaced, or otherwise modified from time to time);

"Finance Parties" means the "*Lenders*" as that term is defined in the Credit Agreement;

"Foreign Subsidiary" has the meaning given to it in clause 3.1;

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"Indemnity Agreement" means the indemnity agreement Hong Kong asset purchase agreement dated on or about the date hereof between the Chargor and the U.S. Borrower (as may be amended, supplemented, restated, replaced, or otherwise modified from time to time);

"Insurances" means all policies of insurance which are at any time held by or written in favour of the Chargor, or in which the Chargor from time to time has an interest;

"Intellectual Property" means all present and future legal and/or equitable interests (including, without limitation, the benefit of all licences in any part of the world) of the Chargor in, or relating to, registered and unregistered trademarks and service marks, patents, registered designs, utility models, applications for any of the foregoing, trade names, copyrights, design rights, unregistered designs, inventions, confidential information, know-how, registrable business names, database rights, domain names and any other rights of every kind deriving from or through the exploitation of any of the aforementioned rights of the Chargor (including, without limitation, the intellectual property rights (if any) specified in Part 3 of Schedule 1 (*Details of Security Assets*));

"Ordinance" means the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);

"Party" means a party to this Deed;

"Planning Ordinances" means (1) the Antiquities and Monuments Ordinance (Cap. 53 of the Laws of Hong Kong), (2) the Building Ordinance (Cap. 123 of the Laws of Hong Kong) and Building (Planning) Regulations, (3) the Country Parks Ordinance (Cap. 208 of the Laws of Hong Kong) and Country Parks and Special Areas Regulations, (4) the Hong Kong Airport (Control of Obstructions) Ordinance (Cap. 301 of the Laws of Hong Kong), (5) the Town Planning Ordinance (Cap. 131 of the Laws of Hong Kong) and Town Planning Regulations, (6) any regulations made pursuant to any of the foregoing and (7) any other legislation of a similar nature;

"Property" means all estates and interests in freehold, leasehold and other immovable property (wherever situated) at the date of this Deed, or at any time thereafter, belonging to the Chargor, or in which the Chargor has an interest at any time (including the property specified in Part 1 of Schedule 1 (*Details of Security Assets*)), together with:

- (A) all buildings and fixtures (including trade fixtures) and fixed plant and machinery at any time thereon;
- (B) all easements, rights and agreements in respect thereof;
- (C) all proceeds of sale of that property; and
- (D) the benefit of all covenants given in respect thereof;

"Receivables" means all present and future book debts and other debts, rentals, royalties, fees, and monetary claims and all other amounts at any time recoverable or receivable by, or due or owing to, the Chargor (whether actual or contingent and whether arising under contract or in any other manner whatsoever) together with:

- (A) the benefit of all rights, guarantees, Security and remedies relating to any of the foregoing (including without limitation, negotiable instruments, indemnities, reservations of property rights, rights of tracing and unpaid vendor's liens and similar associated rights); and
- (B) all proceeds of any of the foregoing;

"Receiver" means a receiver and/or manager (and/or any other analogous person under any relevant jurisdiction, including a judicial manager, administrative receiver, administrator or provisional supervisor) appointed pursuant to this Deed in respect of the Security Assets;

"Related Rights" means, in relation to any Charged Securities:

- (A) all dividends, distributions and other income paid or payable on the relevant Charged Securities or any asset referred to in paragraph (ii) below;
- (B) all rights, monies or property accruing or offered at any time in relation to the Charged Securities whether by way of redemption, substitution, exchange, bonus or preference, under option rights or otherwise;

"Relevant Contract" means:

- (A) each Acquisition Document;
- (B) each of the agreements specified in Part 4 of Schedule 1 (*Details of Security Assets*); and
- (C) any other agreement entered or to be entered into by the Chargor in its ordinary course of business for the sale of goods or provision of services with its new customers that have not been identified as a Relevant Customer as of the date of this Deed,

together with each other agreement supplementing or amending or novating or replacing the same;

"Relevant Customer" means each of the customer of the Chargor as specified in Part 5 of Schedule 1 (*Details of Security Assets*);

"Secured Obligations" means all and any present and future obligations, liabilities and indebtedness (whether actual or contingent and whether owed jointly or severally or alone or in any other capacity whatsoever) of each present or future member of the Consolidated Group to any Secured Party of any kind and in any currency (including without limitations) under or pursuant to each or any of the Credit Documents together with all interest, commission, fees, costs, charges, expenses, and other sums incurred by the Security Agent in connection with the protection, preservation or enforcement of its respective rights including but not limited to under this Deed and the other Credit Documents or any other document evidencing or securing any such liabilities (after as well as before any demand or judgment);

"Secured Party" means a Finance Party, a receiver (including a Receiver) or receiver and manager or administrative receiver of the whole or any part of the assets which from time to time are, or are expressed to be, the subject of Transaction Security, or any delegate (including a Delegate), agent, attorney or co-trustee appointed by the Security Agent under any Transaction Security Document.

"Security" means any mortgage, charge, pledge, lien, hypothecation, assignment or other encumbrance securing or conferring any priority of payment in respect of any obligation of any person or any other agreement or arrangement having a similar effect.

"Security Account" means each:

- (A) account held by the Chargor with any bank from time to time; and
- (B) other account charged by or pursuant to this Deed;

"Security Assets" means all property and assets from time to time mortgaged, charged or assigned (or expressed to be mortgaged, charged or assigned) by or pursuant to this Deed;

"Security Period" means the period beginning on the date of this Deed and ending on the date on which:

- (A) all the Secured Obligations have been unconditionally and irrevocably paid and discharged in full and all letters of credit shall have terminated or expired; and
- (B) no Secured Party has any further commitment, obligation or liability under or pursuant to the Credit Documents;

"Subsidiary" means, in relation to any company or corporation, a company or corporation:

- (A) which is controlled, directly or indirectly, by the first mentioned company or corporation;
- (B) more than half the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or
- (C) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);

"Third Parties Ordinance" means the Contracts (Rights of Third Parties) Ordinance, Chapter 623 of the laws of Hong Kong;

"Transaction Security" means the Security created or expressed to be created pursuant to the Transaction Security Documents;

"Transaction Security Document" means the "Security" as that term is defined in the Credit Agreement; and

"Transition Services Agreement" means the transition services agreement dated on or about the date hereof and made between the U.S. Borrower, the Chargor and the Hong Kong Vendor.

1.1 Interpretation

- (A) Capitalised terms defined in the Credit Agreement have, unless otherwise defined in this Deed, the same meaning in this Deed.
- (B) The provisions of Articles 1.2 to 1.11 of the Credit Agreement apply to this Deed as though they were set out in full in this Deed except that any references to the Credit Agreement are to be construed as references to this Deed.
- (C) References to Clauses and Schedule are to be construed, unless otherwise stated, as references to Clauses and Schedule of this Deed and references to this Deed include its Schedule.
- (D) Each representation, warranty, undertaking and covenant of the Chargor is given by the Chargor to the Security Agent in its capacity as security trustee for and on behalf of and on trust for the Secured Parties on the terms of the Credit Agreement and the benefit of any rights of the Security Agent and any Security taken pursuant to, or in connection with, this Deed by the Security Agent are granted to the Security Agent in such capacity.
- (E) All of the provisions of this Deed are severable and distinct from one another and if at any time any provision is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or

enforceability of any of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

- (F) This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures (and seals, if any) on the counterparts were on a single copy of this Deed.
- (G) It is intended that this Deed shall take effect as a deed notwithstanding that a party may only execute this Deed under hand.
- (H) Any reference to "disposal" means any sale, assignment, exchange, transfer, concession, loan, lease, surrender, licence, direct or indirect reservation, waiver, compromise, release, dealing with or in or granting of any option, right of first refusal or any other right or interest whatsoever or any agreement for any of the same and "dispose" shall be construed accordingly.
- (I) Section, Clause and Schedule headings are inserted for ease of reference only.

1.2 Third party rights

Save as expressly provided to the contrary in this Deed, a person who is not a party to this Deed has no right under the Third Parties Ordinance to enforce or enjoy the benefit of any term of this Deed.

2. Covenant to pay

2.1 Covenant to pay

- (A) The Chargor, as principal obligor and not merely as surety, covenants in favour of the Security Agent that it will pay and/or discharge the Secured Obligations from time to time when they fall due.
- (B) Every payment by the Chargor of a Secured Obligation which is made to or for the benefit of a Security Party is due and payable in accordance with the Credit Document under which such sum is payable to the Security Agent shall operate in satisfaction to the same extent of the covenant contained in clause 2.1(A).

2.2 Default interest

- (A) Any amount which is not paid under this Deed when due shall bear interest (both before and after judgment and payable on demand) from the due date until the date on which such amount is unconditionally and irrevocably paid and/or discharged in full on a daily basis at the rate and in the manner agreed in the relevant Credit Document under which such amount is payable and, in the absence of such agreement, at the Default Rate from time to time.
- (B) Default interest will accrue from day to day and will be compounded at such intervals as the Security Agent (acting on the instructions of the Finance Parties) states are appropriate.

3. **Grant of security**

3.1 **Nature of security**

All Security and dispositions created or made by or pursuant to this Deed are created or made:

- (A) in favour of the Security Agent; and
- (B) as continuing security for payment of all of the Secured Obligations.

Notwithstanding any other provision herein, in the case of a direct or indirect subsidiary of the Chargor that is organized under the laws of a jurisdiction other than one of the fifty states of the United States or the District of Columbia (a "Foreign Subsidiary") that is or becomes either (1) a "controlled foreign corporation" ("CFC") within the meaning of Section 957 of the Internal Revenue Code of 1986, as amended, or (2) is directly or indirectly owned by a CFC, then (i) the assets of such entity shall not constitute collateral to secure the Secured Obligations of the Chargor, and (ii) the stock of each such entity directly owned by the Chargor shall be collateral subject to any charge or security interest created hereunder to secure the Secured Obligations but limited to 65% of the voting stock and 100% of the non-voting stock of such entity.

4. **Fixed security**

4.1 **Fixed charges**

The Chargor charges and agrees to charge as beneficial owner all the present and future right, title and interest of the Chargor in and to the following assets (excluding the Excluded Property) which are at any time owned by the Chargor, or in which the Chargor from time to time has an interest:

- (A) by way of first legal mortgage:
 - (1) the Property (if any) specified in Part 1 of Schedule 1 (*Details of Security Assets*); and
 - (2) all other Property (if any) at the date of this Deed vested in, or charged to, the Chargor (not charged by clause 4.1(A));
- (B) by way of first fixed charge:
 - (1) all other Property and all interests in Property (not charged by clause 4.1(A)); and
 - (2) all licences to enter upon or use land and the benefit of all other agreements relating to land;
- (C) by way of first fixed charge all plant and machinery (not charged under clause 4.1(A) or 4.1(B)) and the benefit of all contracts, licences and warranties relating to the same;
- (D) by way of first fixed charge:

- (1) all computers, vehicles, office equipment and other equipment (not charged by clause 4.1(C)); and
 - (2) the benefit of all contracts, licences and warranties relating to the same;
- (E) by way of:
- (1) first fixed charge all the Charged Securities referred to in Part 2 of Schedule 1 (*Details of Security Assets*);
 - (2) first fixed charge all other Charged Securities (not charged by clause 4.1(E)(1)),
- in each case, together with (1) all Related Rights from time to time accruing to those Charged Securities and (2) all rights which the Chargor may have at any time against any clearance or settlement system or any custodian in respect of any Charged Investments;
- (F) by way of first fixed charge all monies standing to the credit of the Chargor from time to time on any and all accounts with any bank, financial institution or other person, in each case, together with all interest from time to time accrued or accruing on such monies, any investment made out of such monies or account and all rights to repayment of any of the foregoing;
- (G) by way of first fixed charge:
- (1) the Intellectual Property (if any) specified in Part 3 of Schedule 1 (*Details of Security Assets*); and
 - (2) all other Intellectual Property (if any) (not charged by clause 4.1(G)(1));
- (H) to the extent that any of the Assigned Assets are not effectively assigned under clause 4.2 (*Security assignments*), by way of first fixed charge those Assigned Assets;
- (I) by way of first fixed charge (to the extent not otherwise charged or assigned in this Deed):
- (1) the benefit of all licences, consents, agreements and authorisations held or used in connection with the business of the Chargor or the use of any of its assets; and
 - (2) any letter of credit issued in favour of the Chargor and all bills of exchange and other negotiable instruments held by it; and
- (J) by way of first fixed charge all of the goodwill and uncalled capital of the Chargor.

4.2 Security assignments

The Chargor assigns and agrees to assign as beneficial owner absolutely (subject to a proviso for reassignment on redemption) all its present and future right, title and interest in and to:

- (A) the Relevant Contracts, all rights and remedies in connection with the Relevant Contracts and all proceeds and claims arising therefrom;

- (B) the Insurances, all claims under the Insurances and all proceeds of the Insurances;
- (C) the Charged Accounts and all monies at any time standing to the credit of the Charged Accounts, together with all interest from time to time accrued or accruing on such monies, any investment made out of such monies or account and all rights to repayment of any of the foregoing; and
- (D) all other Receivables (not otherwise assigned under clause 4.2(A), 4.2(B) or 4.2(C));

To the extent that any Assigned Asset described in clause 4.2(B) is not assignable, the assignment which that clause purports to effect shall operate as an assignment of all present and future rights and claims of the Chargor to any proceeds of the Insurances.

4.3 Notice of assignment – immediate notice

Promptly upon execution of this Deed (and promptly upon the obtaining of any Insurance, or the execution of any Relevant Contract that is a Material Contract after the date of this Deed, or the execution of any Relevant Contract with a new customer that is not identified as a Relevant Customer as at the date of this Deed in relation to the sale of goods or provision of services in its ordinary course of business after the date of this Deed that is a Material Contract, or the opening of any account by the Chargor with any bank after the date of this Deed) the Chargor shall:

- (A) in respect of each Relevant Contract that is a Material Contract:
 - (1) deliver a duly completed notice of assignment to each other party to that Relevant Contract, and use all its best endeavours to procure that each such person executes and delivers to the Security Agent an acknowledgement, in each case in the respective forms set out in Schedule 3 (*Form of notice to and acknowledgement by party to Relevant Contract*) (or in such other form as the Security Agent shall agree); and
 - (2) upon reasonable request from the Security Agent, insert the legend substantially in the form of Schedule 5 (*Form of Legends*) (or in such other form as the Security Agent shall agree) in each invoice it issues to the relevant counterparty under or in respect of such a Relevant Contract;
- (B) in respect of each of the Insurances, deliver a duly completed notice of assignment to each other party to that Insurance, and use all its best endeavours to procure that each such person executes and delivers to the Security Agent a letter of undertaking, in each case in the respective forms set out in Schedule 4 (*Form of notice to and acknowledgement by insurers*) (or in such other form as the Security Agent shall agree); and
- (C) deliver a duly completed notice to the applicable Account Bank in respect of the applicable Security Accounts and use all its best endeavours to procure that such applicable Account Bank executes and delivers to the Security Agent an acknowledgement, in each case in the respective forms set out in Schedule 2 (*Form of notice to and acknowledgement from bank operating Security Accounts*) (or in such other form as the Security Agent shall agree).

4.4 Notice of assignment – Relevant Contract that is Material Contract

Immediately upon request by the Security Agent at any time after an Event of Default which is continuing, the Chargor shall:

- (A) in respect of each Relevant Contract to which notice has not been delivered pursuant to clause 4.3(A)(1), deliver a duly completed notice of assignment to each other party to that Relevant Contract, and use all its best endeavours to procure that each such person executes and delivers to the Security Agent an acknowledgement, in each case in the respective forms set out in Schedule 3 (*Form of notice to and acknowledgement by party to Relevant Contract*) (or in such other form as the Security Agent shall agree); and
- (B) in respect of each Relevant Contract to which legend has not been inserted pursuant to clause 4.3(A)(2), upon reasonable request from the Security Agent, insert the legend substantially in the form of Schedule 5 (*Form of Legends*) (or in such other form as the Security Agent shall agree) in each invoice it issues to the relevant counterparty under or in respect of such a Relevant Contract.

4.5 Assigned Assets

The Security Agent shall not be obliged to take any steps necessary to preserve any of the Assigned Assets, or to enforce any term of the Relevant Contracts against any person, or to make any enquiries as to the nature or sufficiency of any payment received by it pursuant to this Deed.

5. Floating charge

The Chargor charges and agrees to charge by way of first floating charge all of its present and future assets and undertaking (wherever located, excluding the Excluded Property) which are not effectively charged by way of first fixed mortgage or charge or assigned pursuant to the provisions of clause 4.1 (*Fixed charges*), clause 4.2 (*Security assignments*) or any other provision of this Deed.

6. Conversion of floating charge

6.1 Conversion by notice

The Security Agent may, by written notice to the Chargor, convert the floating charge created under this Deed into a fixed charge as regards all or any of the assets of the Chargor specified in the notice if:

- (A) an Event of Default has occurred and is continuing; or
- (B) the Security Agent considers those specified assets to be in danger of being seized or sold under any form of distress, attachment, execution or other legal process or to be otherwise in jeopardy.

6.2 Automatic conversion

The floating charge created under this Deed shall (in addition to the circumstances in which the same will occur under general law) automatically convert into a fixed charge:

- (A) in relation to any Security Asset which is subject to a floating charge if:

- (1) the Chargor creates (or attempts or purports to create) any Security (other than those permitted under the Credit Agreement) on or over the relevant Security Asset without the prior consent in writing of the Security Agent; or
 - (2) any third party levies or attempts to levy any distress, execution, attachment or other legal process against any such Security Asset; and
- (B) over all the Security Assets which are subject to a floating charge if an administrator is appointed in respect of the Chargor.

6.3 Partial conversion

The giving of a notice by the Security Agent pursuant to clause 6.1 (*Conversion by notice*) in relation to any class of assets of the Chargor shall not be construed as a waiver or abandonment of the rights of the Security Agent to serve similar notices in respect of any other class of assets or of any of the other rights of the Security Agent.

7. Continuing security

7.1 Continuing security

The Security constituted by this Deed is continuing and will extend to the ultimate balance of all the Secured Obligations regardless of any intermediate payment or discharge in whole or in part. This Deed shall remain in full force and effect as a continuing security for the duration of the Security Period.

7.2 Additional and separate security

This Deed is in addition to, without prejudice to, and shall not merge with, any other right, remedy, guarantee or Security which the Security Agent (or any agent or trustee on its behalf) may at any time hold for any of the Secured Obligations.

7.3 Protective clauses

Without limiting clause 7.1, neither the liability of the Chargor nor the validity or enforceability of the obligations of the Chargor under this Deed shall be prejudiced, affected or discharged by:

- (A) the granting of any time or indulgence to any other Obligor or any other person;
- (B) any variation or modification of any other Credit Document or any other document referred to in any of them;
- (C) the invalidity or unenforceability of any obligation or liability of any Obligor under any other Credit Document to which it is a party;
- (D) any invalidity or irregularity in the execution of any Credit Document;
- (E) any deficiency in the powers of any other Obligor to enter into or perform any of its obligations under any Credit Document to which it is a party or any irregularity in the exercise thereof or any lack of authority by any person purporting to act on behalf of such Obligor;
- (F) the bankruptcy, insolvency or liquidation or limitation or any change in the constitution or status of any Obligor;

- (G) any other Credit Document, charge, guarantee or other security or right or remedy being or becoming held by or available to the Security Agent or by any of the same being or becoming wholly or partly void, voidable, unenforceable or impaired or by the Security Agent at any time releasing, refraining from enforcing, varying or in any other way dealing with any of the same or any power, right or remedy the Security Agent may now or hereafter have from or against the Chargor or any other Obligor or any other person;
- (H) any waiver, exercise, omission to exercise, compromise, renewal or release of any rights against the Chargor or any Obligor or any other person or any compromise, arrangement or settlement with any of the same; and

any act, omission, event or circumstance which would or may but for this provision operate to prejudice, affect or discharge this Deed or the liability of the Chargor hereunder.

7.4 Right to enforce

This Deed may be enforced against the Chargor without the Security Agent first having recourse to any other right, remedy, guarantee or security held by or available to it.

8. Liability of the Chargor relating to security assets

Notwithstanding anything contained in this Deed or implied to the contrary, the Chargor remains liable to observe and perform all of the conditions and obligations assumed by it in relation to the Security Assets. The Security Agent is under no obligation to perform or fulfil any such condition or obligation or make any payment in respect of any such condition or obligation.

9. Accounts

No monies at any time standing to the credit of any account (of any type and however designated) of the Chargor with the Security Agent or in which the Chargor has an interest, and no rights and benefits relating thereto, shall be capable of being assigned to any third party.

10. Undertakings by the Chargor

10.1 Security Assets generally

The Chargor will (to the extent that such obligations are not inconsistent with the terms of the Credit Documents):

- (A) duly and punctually pay all rates, rents, Taxes, and other outgoings owed by it in respect of the Security Assets (or any of them);
- (B) unless the Security Agent otherwise confirms in writing and without prejudice to clause 10.4(A), deposit with the Security Agent all deeds and documents of title relating to the Security Assets (which the Security Agent may hold throughout the Security Period).

10.2 Property matters

- (A) The Chargor will not, except with the prior written consent of the Security Agent or as expressly permitted under the Credit Agreement, confer on any person:

- (1) any lease or tenancy of any of the Property or accept a surrender of any lease or tenancy (whether independently or under any statutory power);
 - (2) any right or licence to occupy any land or buildings forming part of the Property; or
 - (3) any licence to assign or sub-let any part of the Property.
- (B) The Chargor will not carry out any development within the meaning of the Planning Ordinances in or upon any part of the Property without first obtaining permissions as may be required under or by virtue of the Planning Ordinances and, in the case of development involving a substantial change in the structure of, or a change of use of, any part of the Property, without first obtaining the written consent of the Security Agent.
- (C) The Chargor will not do, or permit to be done, anything as a result of which any lease may be liable to forfeiture or otherwise be determined.
- (D) The Chargor will notify the Security Agent immediately upon the acquisition of any estate or interest in any freehold or leasehold property.
- (E) Upon demand by the Security Agent, the Chargor will at its own expense provide the Security Agent with a report as to title of the Chargor to the Property (concerning those items which may properly be sought to be covered by a prudent mortgagee in a lawyer's report of this nature).

10.3 Dealings with and realisation of Receivables

- (A) The Chargor will:
- (1) collect all Receivables promptly in the ordinary course of trading as agent for the Security Agent and immediately upon receipt pay all monies which it may receive in respect of the Receivables into a Security Account; and
 - (2) where any Security Account is not maintained with the Security Agent, deliver to the relevant Account Bank a notice to that bank and use its reasonable endeavours to procure that the Account Bank signs and delivers to the Security Agent a letter, in each case in the respective forms set out in Schedule 2 (*Form of notice to and acknowledgement from bank operating Security Accounts*).
- (B) Following the occurrence of an Event of Default that is continuing, the Chargor shall not withdraw, attempt or be entitled to withdraw (or direct any transfer of) all or any part of the monies in any Security Account without the prior consent of the Security Agent and the Security Agent shall be entitled (in its absolute discretion) to refuse to permit any such withdrawal or transfer.
- (C) Following the occurrence of an Event of Default that is continuing, the Chargor will deal with the Receivables (both collected and uncollected) and the Security Accounts in accordance with any directions given in writing from time to time by the Security Agent and, in default of and subject to such directions, in accordance with this Deed.

- (D) The Chargor will deliver to the Security Agent such information as to the amount and nature of its Receivables as the Security Agent may from time to time require (taking into account the requirements of the Credit Documents).
- (E) If the right of the Chargor to withdraw the proceeds of any Receivables standing to the credit of a Security Account results in the charge over that Security Account being characterised as a floating charge, that will not affect the nature of any other fixed security created by any Chargor under this Deed on all its outstanding Receivables.

10.4 Charged Investments

- (A) The Chargor will immediately upon execution of this Deed or (if later), as soon as is practicable after its acquisition of any Charged Securities in certificated form, by way of security for the Secured Obligations:
 - (1) deposit with the Security Agent, or as the Security Agent may direct, all certificates and other documents of title or evidence of ownership to the Charged Securities and their Related Rights; and
 - (2) execute and deliver to the Security Agent:
 - (a) instruments of transfer in respect of the Charged Securities (executed in blank and left undated); and/or
 - (b) such other documents in form and substance satisfactory to the Security Agent as the Security Agent shall require to enable it (or its nominees) to be registered as the owner of or otherwise acquire a legal title to the Charged Securities and their Related Rights (or to pass legal title to any purchaser), including with limitation to the following documents if the Chargor owns all the issued share capital of the company the subject of all or part of the Charged Securities (the "Charged Company") except to the extent such documents are not applicable to or cannot be produced in respect of such Charged Company:
 - (i) letters of resignation of all directors of the Charged Company executed in blank and left undated;
 - (ii) a resolution of all directors of the Charged Company executed in blank and left undated to accept the directors' resignations, appoint new directors, and approve the transfer of the Charged Securities;
 - (iii) an authority from all directors of the Charged Company to complete and date the documents referred to in (1) and (2) above;
 - (iv) sold note in respect of the Charged Securities, all in form and substance satisfactory to the Security Agent; and
 - (v) irrevocable proxy irrevocably empowering the Security Agent to cast votes attributable to the Charged Securities at shareholder meetings of the Charged Company in a form satisfactory to the Security Agent.

- (B) The Chargor will promptly pay all calls or other payments which may become due in respect of the Charged Investments.

10.5 Rights in respect of Charged Investments

- (A) Until an Event of Default occurs, the Chargor shall be entitled to:
- (1) receive and retain all dividends, distributions and other monies paid on or derived from the Charged Securities; and
 - (2) exercise all voting and other rights and powers attaching to the Charged Securities, provided that it must not do so in a manner which is prejudicial to the interests of the Security Agent and/or the other Secured Parties under this Deed (including, without limitation, which has the effect of changing the terms of the Charged Securities (or any class of them) or of any Related Rights).
- (B) At any time following the occurrence of an Event of Default which is continuing, the Security Agent may:
- (1) complete the instrument(s) of transfer for the Charged Securities on behalf of the Chargor in favour of itself or such other person as it may select; and
 - (2) in case the Chargor owns all the issued share capital of the Charged Company, implement the resignations of the incumbent directors of any Charged Company and appoint the Security Agent's nominees in their stead.
- (C) At any time when any Charged Securities are registered in the name of the Security Agent or its nominee, the Security Agent will not be under any duty:
- (1) to ensure that any dividends, distributions or other monies payable in respect of those Charged Securities are duly and promptly paid or received by it or its nominee; or
 - (2) to verify that the correct amounts are paid or received; or
 - (3) to take any action in connection with the taking up of any (or any offer of any) Related Rights in respect of or in substitution for, any of those Charged Securities.

10.6 Relevant Contracts

- (A) The Chargor will not take any action which will reduce or impede recoveries in respect of any Assigned Asset.
- (B) The Chargor must immediately following the execution of a Relevant Contract with a new customer that is not identified as a Relevant Customer as at the date of this Deed in relation to the sale of goods or provision of services in its ordinary course of business, inform the Security Agent of its entry into such Relevant Contract with such new customer and the identity of such new customer.

11. Representations and warranties

11.1 Representations and warranties

The Chargor makes the representations and warranties set out in this clause 11.1 to the Security Agent and each other Secured Party:

- (A) This Deed creates the security which it purports to create and is not liable to be avoided or otherwise set aside on the liquidation or administration of the Chargor or otherwise.
- (B) The Chargor is the sole legal and beneficial owner of all of the Security Assets specifically identified in Schedule 1 (*Details of Security Assets*).
- (C) The Charged Securities are fully paid and the Charged Securities listed in Part 2 of Schedule 1 (*Details of Security Assets*) constitute the entire share capital owned by the Chargor in the relevant company.
- (D) In relation to the Property, Part 1 of Schedule 1 (*Details of Security Assets*) identifies all freehold and leasehold Properties which are beneficially owned by the Chargor at the date of this Deed, other than the Excluded Property.

11.2 Matters represented

The representations and warranties set out in clause 11.1 (*Representations and warranties*) will be deemed to be repeated by the Chargor as of the date of each request for new Advance by the Borrowers except to the extent that such representation or warranty was given in respect of a specified date or period or where on or prior to such date:

- (A) the Chargor has advised the Security Agent in writing of a variation in any such representation or warranty; and
- (B) if such variation in the opinion of the Security Agent, is material to the Property (as defined in the Credit Agreement), liabilities, affairs, business, operations, prospects or condition (financial or otherwise) of any Obligor considered as a whole or would have, or be reasonably likely to result in, a Material Adverse Effect, the Security Agent has approved such variation.

12. Power to remedy

If at any time the Chargor does not comply with any of its obligations under this Deed, the Security Agent (without prejudice to any other rights arising as a consequence of such non-compliance) shall be entitled (but not bound) to rectify that default. The Chargor irrevocably authorises the Security Agent and its employees and agents by way of security to do all such things (including entering the property of the Chargor) which are necessary or desirable to rectify that default. The exercise of the powers of the Security Agent under this clause 12 shall not render it liable as a mortgagee in possession. The Chargor shall pay to the Security Agent on demand any monies which are expended by the Security Agent in doing so.

13. When security becomes enforceable

13.1 When enforceable

The Security constituted by this Deed (and any powers implied by statute) shall become immediately enforceable upon the occurrence of an Event of Default, and for so long as such Event of Default is continuing.

13.2 Statutory powers

The power of sale and other powers conferred by sections 51 and 53 of the Ordinance (as varied or amended by this Deed) shall be immediately exercisable upon and at any time without any notice to the Chargor after the occurrence of any Event of Default, and for so long as such Event of Default is continuing.

13.3 Enforcement

After the Security constituted by this Deed has become enforceable, the Security Agent may in its absolute discretion enforce all or any part of the Security Assets in such manner as it sees fit.

14. Enforcement of security

14.1 General

For the purposes of determining when all powers implied by statute are exercisable (and not for any other purpose), the Secured Obligations are deemed to have become due and payable on the date of this Deed. Paragraph 11 in the Fourth Schedule of the Ordinance shall not apply to the Security constituted by this Deed and shall not restrict the exercise by the Security Agent of the statutory power of sale conferred on it by sections 51 and 53 of the Ordinance. The statutory powers of leasing conferred on the Security Agent are extended so as to authorise the Security Agent to lease, make agreements for leases, accept surrenders of leases and grant options as the Security Agent may think fit and without the need to comply with any provisions of the Fourth Schedule of the Ordinance.

14.2 Powers of Security Agent

- (A) At any time after the Security constituted by this Deed becomes enforceable, the Security Agent may:
- (1) (or if so requested by the Chargor by written notice at any time may) without further notice appoint any person (or persons) to be a Receiver of all or any part of the Security Assets and/or of the income of the Security Assets; and/or
 - (2) appoint or apply for the appointment of any person who is appropriately qualified as administrator of the Chargor; and/or
 - (3) exercise all or any of the powers conferred on mortgagees by the Ordinance (as varied or extended by this Deed) and/or all or any of the powers which are conferred by this Deed on a Receiver, in each case without first appointing a Receiver or notwithstanding the appointment of any Receiver; and/or

- (4) exercise (in the name of the Chargor and without any further consent or authority of the Chargor) any voting rights and any powers or rights which may be exercised by the person(s) in whose name the Charged Investments are registered, or who is the holder of any of them, or otherwise (including all the powers given to trustees by sections 11(4) and 11(5) of the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong) in respect of securities or property subject to a trust).

14.3 Redemption of prior mortgages

At any time after the Security constituted by this Deed has become enforceable, the Security Agent may:

- (A) redeem any prior Security against any Security Asset; and/or
- (B) procure the transfer of that Security to itself; and/or
- (C) settle and pass the accounts of the holder of any prior Security and any accounts so settled and passed shall be conclusive and binding on the Chargor.

All principal, interest, costs, charges and expenses of and incidental to any such redemption and/or transfer shall be paid by the Chargor to the Security Agent on demand.

14.4 Privileges

Each Receiver and the Security Agent is entitled to all the rights, powers, privileges and immunities conferred by the Ordinance on mortgagees and receivers when such receivers have been duly appointed under the Ordinance.

14.5 No liability

- (A) Neither the Security Agent nor any Receiver shall be liable (1) in respect of all or any part of the Security Assets or (2) for any loss or damage which arises out of the exercise or the attempted or purported exercise of, or the failure to exercise any of, its or his respective powers.
- (B) Without prejudice to the generality of clause 14.5(A), neither the Security Agent nor any Receiver will be liable, by reason of entering into possession of a Security Asset, to account as mortgagee in possession or for any loss on realisation or for any default or omission for which a mortgagee in possession might be liable.

14.6 Protection of third parties

No person (including a purchaser) dealing with the Security Agent or a Receiver or its or his agents will be concerned to enquire:

- (A) whether the Secured Obligations have become payable; or
- (B) whether any power which the Security Agent or the Receiver is purporting to exercise has become exercisable; or
- (C) whether any money remains due under the Credit Documents (or any of them); or
- (D) how any money paid to the Security Agent or to the Receiver is to be applied.

15. **Receiver**

15.1 **Removal and replacement**

The Security Agent may from time to time remove any Receiver appointed by it and, whenever it may deem appropriate, may appoint a new Receiver in the place of any Receiver whose appointment has terminated.

15.2 **Multiple Receivers**

If at any time there is more than one Receiver of all or any part of the Security Assets and/or the income of the Security Assets, such persons shall have power to act individually (unless otherwise stated in the appointment document).

15.3 **Remuneration**

Any Receiver shall be entitled to remuneration for his services at a rate to be fixed by agreement between him and the Security Agent (or, failing such agreement, to be fixed by the Security Agent).

15.4 **Payment by Receiver**

Only monies actually paid by a Receiver to the Security Agent in satisfaction or discharge of the Secured Obligations shall be capable of being applied by the Security Agent in satisfaction of the Secured Obligations.

15.5 **Agent of Chargor**

Any Receiver appointed shall be the agent of the Chargor. The Chargor shall be solely responsible for his acts and defaults and for the payment of his remuneration. The Security Agent shall not incur any liability (either to the Chargor or to any other person) by reason of the appointment of a Receiver or for any other reason.

15.6 **Security Agent may exercise**

To the fullest extent permitted by law, all or any of the powers, authorities and discretions which are conferred by this Deed (either expressly or impliedly) upon a Receiver of the Security Assets may be exercised after the security hereby created becomes enforceable by the Security Agent in relation to the whole of such Security Assets or any part thereof without first appointing a Receiver of such property or any part thereof or notwithstanding the appointment of a Receiver of such property or any part thereof.

16. **Powers of receiver**

16.1 **General powers**

Any Receiver shall have (1) all the powers which are conferred by the Ordinance on mortgagees in possession and receivers appointed under the Ordinance, (2) all powers which are conferred by any other law conferring power on receivers.

16.2 **Additional powers**

In addition to the powers referred to in clause 16.1 (*General powers*), a Receiver shall have the following powers:

- (A) to take possession of, collect and get in all or any part of the Security Assets and/or income in respect of which he was appointed and for such purposes to demand and recover all income accruing on or in respect of the Security Assets by action, distress or in such other manner as the Receiver may consider appropriate;
- (B) to manage or concur in managing the Security Assets and manage, carry or concur in managing or carrying on the business of the Chargor as he thinks fit;
- (C) to redeem any security and to borrow or raise any money and secure the payment of any money in priority to the Secured Obligations for the purpose of the exercise of his powers and/or defraying any costs or liabilities incurred by him in such exercise and no person lending that money is concerned to enquire as to the propriety or purpose of the exercise of that power or to check the application of any money so raised or borrowed;
- (D) to sell or concur in selling, leasing or otherwise disposing of all or any part of the Security Assets in respect of which he was appointed in any manner and on terms which he thinks proper. Fixtures may be severed and sold separately from the Property containing them, without the consent of the Chargor. The consideration for any such transaction may consist of cash, debentures or other obligations, shares, stock or other valuable consideration (and the amount of such consideration may be dependent upon profit or turnover or be determined by a third party). Any such consideration may be payable in a lump sum or by instalments spread over such period as he thinks fit;
- (E) to alter, improve, develop, complete, construct, modify, refurbish or repair any building or land and to do all other acts which the Chargor might do in the ordinary conduct of its business as well for protection as for the improvement of any Security Asset and to complete or undertake or concur in the completion or undertaking (with or without modification) of any project in which the Chargor was concerned or interested prior to his appointment (being a project for the alteration, improvement, development, completion, construction, modification, refurbishment or repair of any building or land) and for these purposes to appoint and enter into contracts with building and engineering contractors or other contractors and professional advisers as he may think fit;
- (F) to carry out any sale, lease or other disposal of all or any part of the Security Assets by conveying, transferring, assigning or leasing the same in the name of the Chargor and, for that purpose, to enter into covenants and other contractual obligations in the name of, and so as to bind, the Chargor;
- (G) to take any such proceedings (in the name of the Chargor or otherwise) as he shall think fit in respect of the Security Assets and/or income in respect of which he was appointed (including proceedings for recovery of rent or other monies in arrears at the date of his appointment);
- (H) to enter into or make any such agreement, arrangement or compromise as he shall think fit;
- (I) to insure, and to renew any insurances in respect of, the Security Assets as he shall think fit (or as the Security Agent shall direct);
- (J) to appoint and employ such managers, officers and workmen and engage such professional advisers as he shall think fit (including, without prejudice to the generality of the foregoing power, to employ his partners and firm);

- (K) to form one or more Subsidiaries of the Chargor, and to transfer to any such Subsidiary all or any part of the Security Assets;
- (L) to operate any rent review clause in respect of any Property in respect of which he was appointed (or any part thereof) and to apply for any new or extended lease; to purchase or acquire land and purchase, acquire or grant any interest in or right over land as he thinks fit. No person selling such land is concerned to enquire as to the propriety or purpose of the exercise of that power;
- (M) to negotiate for compensation with any authority which may intend to acquire or be in the process of acquiring the Security Assets or any part thereof and make objections to any order for the acquisition of the Security Assets or any part thereof and represent the Chargor at any enquiry to be held to consider such objections or otherwise relevant to such an acquisition as he may think fit;
- (N) to appoint and discharge, managers, officers, agents, advisers, accountants, servants, workmen, contractors, surveyors, architects, lawyers and others for the purposes of this Deed upon such terms as to remuneration or otherwise as he may think proper and discharge any such persons appointed by the Chargor and the costs incurred by the Receiver in carrying out such acts or doing such things shall be reimbursed to the Receiver by the Chargor on demand on a full indemnity basis and until so reimbursed shall carry interest at the Default Rate;
- (O) to accept a surrender of any lease or tenancy of any Security Asset on any terms which he thinks fit (including the payment of money to a lessee or tenant on a surrender);
- (P) to delegate his powers in accordance with clause 19 (*delegation*);
- (Q) to exercise or permit the Chargor or any nominees of the Chargor to exercise any rights incidental to the ownership of the Security Assets in such manner as he may think fit and in particular any voting rights conferred by any Charged Securities and/or Related Rights and any rights to call up all or any portion of the uncalled capital of the Chargor;
- (R) to call any meeting of the members or directors of the Chargor in order to consider such resolutions or other business as he may think fit;
- (S) to obtain or grant all consents as he shall in his absolute discretion think fit;
- (T) in the exercise of the power of sale in relation to the Property, to enter into any deed of mutual covenant, management agreement or grant of any rights, easement or privileges as he shall think fit and to enter into such deeds, contracts, stipulations and agreements and to execute and do all such assurances and things as it may seem expedient or necessary;
- (U) to have access to and make use of the premises and the accounting and other records of the Chargor and the services of its staff for all or any of the above purposes;
- (V) to purchase or acquire all materials for use in connection with the exercise of his powers under this Deed upon such terms and condition as he may in any case think fit;

- (W) to require the Chargor, its managers, agents, officers, servants, solicitors, accountants, architects, surveyors, quantity surveyors, estate agents and others to deliver to the Receiver and/or the Security Agent all agreements, documents, plans, drawings, specifications, papers and information whatsoever in their possession which the Receiver may in his absolute discretion require to manage or dispose of the Security Assets and generally to give instructions to any of the same;
- (X) to arrange for or provide all services, including, but not limited to, lighting, air-conditioning, heating and cleaning, considered appropriate for the efficient use or management of buildings or other premises comprised in the Security Assets; and
- (Y) to:
 - (1) give valid receipts for all monies and to do all such other things as may seem to him to be incidental or conducive to any other power vested in him or necessary or desirable for the realisation of any Security Assets;
 - (2) do all other acts and things which he may consider desirable or necessary for realising any Security Asset or incidental or conducive to any of the rights, powers or discretions conferred on a Receiver under or by virtue of this Deed;
 - (3) exercise in relation to the Security Assets (or any part of them) all such powers and rights as he would be capable of exercising if he were the absolute beneficial owner of the Security Assets; and
 - (4) use the name of the Chargor for any of the above purposes.

17. Application of proceeds

17.1 Application

All monies received by the Security Agent or any Receiver after the Security constituted by this Deed has become enforceable shall be applied in the following order:

- (A) **first**, in satisfaction of, or provision for, all costs, charges and expenses incurred, and payments made by the Security Agent or any Receiver and of all remuneration due to the Receiver in connection with this Deed or the Security Assets;
- (B) **secondly**, in or towards the satisfaction of the remaining Secured Obligations (including, without limitation, cash collateral for outstanding letters of credit); and
- (C) **thirdly**, in payment of any surplus to the Chargor or other person entitled to it.

17.2 Contingencies

If the Security constituted by this Deed is enforced at a time when no amounts are due under the Credit Documents (but at a time when amounts may become so due), the Security Agent or a Receiver may pay the proceeds of any recoveries effected by it into a blocked interest bearing suspense account.

18. **Consolidation of accounts and set-off**

18.1 **General**

The Security Agent and each other Secured Party may (but shall not be obliged to) set off any obligation which is due and payable by the Chargor under the Credit Documents and unpaid against any obligation (whether or not matured) owed by the Security Agent or such other Secured Party to the Chargor, regardless of the place of payment, booking branch or currency of either obligation.

19. **Delegation**

Each of the Security Agent and any Receiver may delegate, by power of attorney (or in any other manner) to any person, any right, power or discretion exercisable by them under this Deed upon any terms (including power to sub-delegate) which it may think fit. Neither the Security Agent nor any Receiver will be in any way liable or responsible to the Chargor for any loss or liability arising from any act, default, omission or misconduct on the part of any such delegate or sub-delegate.

20. **Further assurances**

20.1 **Further action**

The Chargor shall, at its own expense, promptly take whatever action the Security Agent or a Receiver may require for:

- (A) creating, perfecting or protecting the security intended to be created by this Deed; and
- (B) facilitating the realisation of any Security Asset or the exercise of any right, power or discretion exercisable by the Security Agent or any Receiver or any of its or their delegates or sub-delegates in respect of any Security Asset,

including the execution of any transfer, conveyance, assignment or assurance of any property whether to the Security Agent or to its nominees, and the giving of any notice, order or direction and the making of any registration, which in any such case, the Security Agent may think expedient.

20.2 **Specific security**

Without prejudice to the generality of clause 20.1 (*Further action*), the Chargor will forthwith at the request of the Security Agent execute a legal mortgage, charge, assignment, assignation or other security over all or any of the Security Assets which are subject to or intended to be subject to any fixed security created by this Deed in favour of the Security Agent (including for the avoidance of doubt, any arising or intended to arise pursuant to clause 6 (*Conversion of floating charge*)) in such form as the Security Agent may require.

21. **Power of attorney**

The Chargor, by way of security, irrevocably and severally appoints the Security Agent, each Receiver and any of their delegates or sub-delegates to be its attorney to take any action which the Chargor is obliged to take under this Deed, including under clause 20 (*Further assurances*). The Chargor ratifies and confirms whatever any attorney does or purports to do pursuant to its appointment under this clause.

- (A) The exercise of the powers of the Security Agent under this clause 21 shall not render it liable as a mortgagee in possession.
- (B) The Chargor shall pay to the Security Agent on demand any monies which are expended by the Security Agent in doing so.

The Chargor ratifies and confirms whatever any attorney does or purports to do pursuant to its appointment under this Clause 21. The power of attorney created pursuant to this clause is granted irrevocably and for value to secure proprietary interests of and the performance of the obligations owed by the Chargor within the meaning of section 4 of the Powers of Attorney Ordinance (Cap.31 of the Laws of Hong Kong).

22. Payments

22.1 Payments

Subject to Article 8 (*Place of Payment of Principal, Interest and Fees*) of the Credit Agreement, all payments to be made by the Chargor in respect of this Deed must be made:

- (A) in immediately available funds to the credit of such account as the Security Agent may designate; and
- (B) free and clear of, and without any deduction for, or on account of, any set-off or counterclaim or, except to the extent compelled by law, any deduction on account of any Taxes.

23. Stamp duty

The Chargor shall:

- (A) pay all present and future stamp, registration and similar Taxes or charges which may be payable, or determined to be payable, in connection with the execution, delivery, performance or enforcement of this Deed, or any judgment given in connection therewith; and
- (B) indemnify the Security Agent and any Receiver on demand against any and all costs, losses or liabilities (including, without limitation, penalties) with respect to, or resulting from, its delay or omission to pay any such stamp, registration and similar Taxes or charges.

24. Costs and expenses

24.1 Costs and Expenses

This Deed is a Credit Document and Article 13.1 (*Costs and Expenses*) of the Credit Agreement is incorporated into this Deed and shall apply *mutatis mutandis* as if set out in full.

25. Currencies

All monies received or held by the Security Agent or any Receiver under this Deed may be converted from their existing currency into such other currency as the Security Agent or the Receiver considers necessary or desirable to cover the obligations and liabilities comprised in the Secured Obligations in that other currency. The Chargor shall indemnify

the Security Agent against all costs, charges and expenses incurred in relation to such conversion. Neither the Security Agent nor any Receiver shall have any liability to the Chargor in respect of any loss resulting from any fluctuation in exchange rates after any such conversion.

26. **Indemnity**

The Chargor shall indemnify the Security Agent, any other Secured Party, any Receiver and any attorney, agent or other person appointed by the Security Agent under this Deed and the Security Agent's officers and employees (each an "Indemnified Party") on demand against any cost, loss, liability or expense (however arising) incurred by any of the Indemnified Parties as a result of or in connection with:

- (A) anything done or omitted in the exercise or purported exercise of the powers contained in this Deed;
- (B) the Security Assets or the use or occupation of them by any person; or
- (C) any breach by the Chargor of any of its obligations under this Deed.

27. **Miscellaneous**

27.1 **Appropriation and suspense account**

- (A) The Security Agent may apply all payments received for the Secured Obligations in reduction of any part of the Secured Obligations in accordance with the Credit Agreement. Any such appropriation shall override any appropriation by the Chargor.
- (B) All monies received, recovered or realised by the Security Agent under, or in connection with, this Deed may at the discretion of the Security Agent be credited to a separate interest bearing suspense account for so long as the Security Agent determines (with interest accruing thereon at such rate, if any, as the Security Agent may determine for the account of the Chargor) without the Security Agent having any obligation to apply the same or any part thereof in or towards the discharge of any of the Secured Obligations.

27.2 **New Accounts**

- (A) If the Security Agent or any other Secured Party receives, or is deemed to be affected by, notice, whether actual or constructive, of any subsequent Security (other than those permitted under the Credit Agreement) affecting any Security Asset and/or the proceeds of sale of any Security Asset, it may open a new account or accounts for the Chargor. If it does not open a new account, it shall nevertheless be treated as if it had in fact done so at the time when it received or was deemed to have received such notice.
- (B) As from that time, all payments made to the Security Agent or such other Secured Party will be credited or be treated as having been credited to the new account and will not operate to reduce any amount of the Secured Obligations.

27.3 Non-competition

(A) Until the Secured Obligations have been irrevocably paid in full, the Chargor shall not, after a claim has been made or by virtue of any payment or performance by it under this Deed:

- (1) be subrogated to any rights, security or moneys held, received or receivable by the Security Agent or be entitled to any right of contribution or indemnity in respect of any payment made or moneys received on account of the Chargor's liability under this Deed;
- (2) claim, rank, prove or vote as a creditor of any other Obligor or the Consolidated Group or its estate in competition with the Security Agent unless the Security Agent so directs in which case it shall;
- (3) receive, claim or have the benefit of any payment, distribution or security from or on account of any other Obligor or the Consolidated Group, or exercise any right of set-off as against any other Obligor or the Consolidated Group;
- (4) hold any security from any other Obligor or member of the Consolidated Group in respect of the Chargor's liability under this Deed,

unless the Security Agent otherwise directs.

(B) The Chargor shall hold in trust for and forthwith pay or transfer to the Security Agent any payment or distribution or benefit of security received by it contrary to clause 27.3(A) or as directed by the Security Agent.

27.4 Security held by Chargor

The Chargor will not without the prior written consent of the Security Agent hold any security from any other Obligor in respect of the Chargor's liability hereunder. The Chargor will hold any security held by it in breach of this provision on trust for the Security Agent.

27.5 Assignment

- (A) The Chargor may not assign any of its rights under this Deed.
- (B) The Security Agent may assign or transfer all or any part of its rights under this Deed pursuant to the resignation or removal of the Security Agent in accordance with the terms of the Credit Agreement. The Chargor will, immediately upon being requested to do so by the Security Agent, enter into such documents as may be necessary or desirable to effect such assignment or transfer.

27.6 Memorandum and articles

The Chargor certifies that the Security constituted or purported to be constituted by this Deed does not contravene any of the provisions of the memorandum or articles of association of the Chargor.

27.7 Tacking

The Security Agent shall perform its obligations, if any, under the Credit Documents.

27.8 Amendments and waivers

Any provision of this Deed may be amended only if the Security Agent and the Chargor so agree in writing and any breach of this Deed may be waived before or after it occurs only if the Security Agent so agrees in writing. A waiver given or consent granted by the Security Agent under this Deed will be effective only if given in writing and then only in the instance and for the purpose for which it is given. A waiver given or consent granted by the Security Agent to the Chargor under the terms of the Credit Agreement shall also be effective under this Deed insofar as it relates to corresponding obligations imposed under the terms of this Deed.

27.9 Calculations and certificates

A certificate of the Security Agent specifying the amount of any Secured Obligations due from the Chargor (including details of any relevant calculation thereof) shall be *prima facie* evidence of such amount against the Chargor.

27.10 Waiver, rights and remedies

No failure to exercise, nor any delay in exercising, on the part of the Security Agent, any right or remedy under this Deed shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise, or the exercise of any other right or remedy. The rights and remedies provided are cumulative and not exclusive of any rights or remedies provided by law.

28. Notices

Article 16.2 (*Notices*) of the Credit Agreement is incorporated into this Deed and shall apply *mutatis mutandis* to any notice, communication or demand to be given under this Deed or in connection with the matters contemplated by it.

29. Release

29.1 Release

Upon the expiry of the Security Period (but not otherwise) the Security Agent shall, at the request and cost of the Chargor, take whatever action is necessary to release or re-assign (without recourse or warranty) the Security Assets from the Security constituted by this Deed.

29.2 Reinstatement

Where any discharge (whether in respect of the obligations of the Chargor or any security for those obligations or otherwise) is made in whole or in part or any arrangement is made on the faith of any payment, security or other disposition which is avoided or must be restored on insolvency, liquidation or otherwise (without limitation), the liability of the Chargor under this Deed shall continue as if the discharge or arrangement had not occurred. The Security Agent may concede or compromise any claim that any payment, security or other disposition is liable to avoidance or restoration.

30. Governing law and Jurisdiction

30.1 Governing law

This Deed and the rights and obligations of the Parties shall be governed by and construed in accordance with the laws of Hong Kong.

30.2 Jurisdiction

- (A) The courts of Hong Kong have exclusive jurisdiction to settle any dispute and to entertain any suit, action or proceedings arising out of or in connection with this Deed (including a dispute regarding the existence, validity or termination of this Deed) (a "Dispute").
- (B) The parties agree that the courts of Hong Kong are the most appropriate and convenient courts to settle Disputes and accordingly no party will argue to the contrary.
- (C) This Clause 30.2 is for the benefit of the Security Agent only. As a result, the Security Agent shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Security Agent may take concurrent proceedings in any number of jurisdictions.

30.3 Immunity

To the extent that the Chargor may be entitled in any jurisdiction to claim for itself or its assets immunity from any suit, jurisdiction of any court, execution, enforcement, attachment (whether provisional or final, in aid of execution, before judgment or otherwise), relief by way of injunction or order for specific performance or recovery of property, or other legal process or to the extent that in any jurisdiction such immunity (whether or not claimed) may be attributed to it or its assets, it irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction.

IN WITNESS of which this Deed has been duly executed by the Chargor as a deed and duly executed by the Security Agent and has been delivered on the date written at the beginning of this Deed.

SCHEDULE 1 : DETAILS OF SECURITY ASSETS

PART 1 : PROPERTY

Chargor	Description
N/A	N/A

PART 2 : CHARGED SECURITIES

Chargor	Name of company in which shares are held	Class of shares held	Number of shares held	Issued share capital
N/A	N/A	N/A	N/A	N/A

PART 3 : INTELLECTUAL PROPERTY

1. Common law trademark rights to the BEST MADE TOYS & Design logo (with representation of poodle holding umbrella)
2. Rights in all intellectual property associated with template documents used in the business.
3. Licensed rights to access and use software.

PART 4 : RELEVANT CONTRACTS

Date of Relevant Contract	Parties	Details of Relevant Contract
N/A	N/A	N/A

PART 5 RELEVANT CUSTOMERS

N/A

PART 6 : INSURANCES

Insurer	Policy No	Insured Risks	Date of Policy
Liberty Mutual Insurance Company		1. Products and/or completed operations 2. Personal injury	30 April 2015

**SCHEDULE 2 : FORM OF NOTICE TO AND ACKNOWLEDGEMENT FROM BANK
OPERATING SECURITY ACCOUNTS**

To: *[insert name and address of Account Bank]*

Dated: [•]

Dear Sirs,

Re: **Account Holder:** Best Made Toys Global Enterprises Limited (the "Chargor")

Security Account Nos: *[insert number]* (the "Security Account[s]")

Account Branch: *[insert branch address]*

We give notice that, by a debenture dated [DATE] (the "Debenture"), we have charged to Bank of Montreal (the "Security Agent") as security agent and trustee for the benefit of the Secured Parties (as defined therein) all our present and future right, title and interest in and to:

1. the Security Accounts, all monies from time to time standing to the credit of the Security Accounts and all additions to or renewals or replacements thereof (in whatever currency); and
2. all monies standing to the credit of any other accounts from time to time maintained with you by the Chargor,

(together the "Charged Accounts") and to all interest from time to time accrued or accruing on the Charged Accounts, any investment made out of any such monies or account and all rights to repayment of any of the foregoing by you.

The Security Agent, by its countersignature of this notice, agrees that the Chargor may continue to withdraw monies from any Charged Accounts, and until you receive notice from the Security Agent that it or you may no longer do so. The Security Agent may by notice to you at any time amend or withdraw this consent.

We irrevocably authorise and instruct you from time to time following a notice from the Security Agent that the security under the Debenture has become enforceable:

- (A) unless the Security Agent so authorises you in writing, not to permit withdrawals from the Security Accounts;
- (B) to hold all monies from time to time standing to the credit of the Charged Accounts to the order of the Security Agent;
- (C) to pay all or any part of the monies standing to the credit of the Charged Accounts to the Security Agent (or as it may direct) promptly following receipt of written instructions from the Security Agent to that effect; and

- (D) to disclose to the Security Agent such information relating to the Chargor and the Charged Accounts as the Security Agent may from time to time request you to provide.

We agree that you are not bound to enquire whether the right of the Security Agent to withdraw any monies from any Charged Account has arisen or be concerned with (1) the propriety or regularity of the exercise of that right or (2) notice to the contrary or (3) to be responsible for the application of any monies received by the Security Agent.

The provisions of this notice may only be revoked or amended with the prior written consent of the Security Agent.

Please confirm by completing the enclosed copy of this notice and returning it to the Security Agent (with a copy to us) that:

- (A) you agree to act in accordance with the provisions of this notice;
- (B) you have not, at the date this notice is returned to the Security Agent, received notice of any assignment or charge of or claim to the monies standing to the credit of any of the Charged Accounts or the grant of any security or other interest over those monies in favour of any third party and you will notify the Security Agent promptly if you should do so in the future; and
- (C) you will not in the future exercise any right to combine accounts or any rights of set-off or lien or any similar rights in relation to the monies standing to the credit of the Charged Accounts.

This notice (and any acknowledgement) shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region.

Yours faithfully,

for and on behalf of
Best Made Toys Global Enterprises Limited

Countersigned by

for and on behalf of
Bank of Montreal

[On copy]

To: **Bank of Montreal**

as Security Agent

First Canadian Place
100 King St. W., 11th Floor
Toronto, Ontario M5X 1A1

Attention: Bruce Groves

Copy to: **Best Made Toys Global Enterprises Limited**

We acknowledge receipt of the above notice. We confirm and agree:

- (A) that the matters referred to in it do not conflict with the terms which apply to any Charged Account; and
- (B) the matters set out in paragraphs (i) to (iii) in the above notice.

for and on behalf of
[Insert name of Account Bank]

Dated: [•]

**SCHEDULE 3 : FORM OF NOTICE TO AND ACKNOWLEDGEMENT BY PARTY TO
RELEVANT CONTRACT**

To: [Insert name and address of relevant party]

Dated: [•]

Dear Sirs,

Re: [describe Relevant Contract] dated [DATE] between (1) you and [specify parties] and (2) Best Made Toys Global Enterprises Limited (the "Chargor") (the "Agreement[s]")

We give notice that, by a debenture dated [DATE] (the "Debenture"), the Chargor has assigned to Bank of Montreal (the "Security Agent") as security agent and trustee for the benefit of the Secured Parties (as defined therein) all its present and future right, title and interest in and to [insert details of Relevant Contract] (together with any other agreement supplementing or amending the same, the "Agreement") including all rights and remedies in connection with the Agreement and all proceeds and claims arising from the Agreement.

We irrevocably authorise and instruct you from time to time following a notice from the Security Agent that the security under the Debenture has become enforceable:

- (A) to disclose to the Security Agent without any reference to or further authority from us (and without any enquiry by you as to the justification for such disclosure), such information relating to the Agreement as the Security Agent may at any time and from time to time request;
- (B) to hold all sums from time to time due and payable by you to us under the Agreement to the order of the Security Agent;
- (C) to pay or release all or any part of the sums from time to time due and payable by you to the Chargor under the Agreement only in accordance with the written instructions given to you by the Security Agent from time to time;
- (D) to comply with the terms of any written notice or instructions in any way relating to, or purporting to relate to, the Debenture, the sums payable to the Chargor from time to time under the Agreement or the debts represented thereby which you receive at any time from the Security Agent without any reference to or further authority from us and without any enquiry by you as to the justification for or validity of such notice or instruction; and
- (E) to send copies of all notices and other information under the Agreement to the Security Agent.

Following a notice from the Security Agent that the security under the Debenture has become enforceable, we are not permitted to receive from you, otherwise than through the Security Agent, any amount in respect of or on account of the sums payable to us from time to time under the Agreement or to agree any amendment or supplement to, or waive any obligation under, the Agreement without the prior written consent of the Security Agent.

The provisions of this notice may only be revoked or amended with the prior written consent of the Security Agent.

Please confirm your agreement to the above by completing the enclosed copy of this notice and returning it to the Security Agent (with a copy to us) that:

- (A) you accept the instructions and authorisations contained in this notice and you undertake to act in accordance with and comply with the terms of this notice;
- (B) you have not, at the date this notice is returned to the Security Agent, received notice of the assignment or charge or the grant of any security or other interest of any third party in or to the Agreement or any proceeds thereof and you will notify the Security Agent promptly if you should do so in future;
- (C) you will not exercise any right to terminate the Agreement or take any action to amend or supplement the Agreement without the prior written consent of the Security Agent.

This notice (and any acknowledgement) shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region.

Yours faithfully,

For itself and on behalf of
Best Made Toys Global Enterprises Limited

[On copy]

To: Bank of Montreal
as Security Agent

First Canadian Place
100 King St. W., 11th Floor
Toronto, Ontario M5X 1A1

Attention: Bruce Groves

Copy to: Best Made Toys Global Enterprises Limited

Dear Sirs,

We acknowledge receipt of the above notice and consent and agree to its terms. We confirm and agree to the matters set out in paragraphs (i) to (iv) in the above notice.

For on behalf of *[name of relevant party]*

DATED:[•]

SCHEDULE 4 : FORM OF NOTICE TO AND ACKNOWLEDGEMENT BY INSURERS

To: [insert name and address of Insurer]

Dated: [•]

Dear Sirs

Under a debenture (the "Debenture") dated [•] and made between (inter alia) (1) the Chargor (as defined therein) and (2) Bank of Montreal (the "Security Agent") as security agent and trustee for the benefit of the Secured Parties (as defined therein) we give you notice that we have assigned to the Security Agent on the terms set out in the Debenture all our right, title and interest in and to the following insurance policies ("Insurances"):

Policy No. : [•]

Policy No. : [•]

We irrevocably authorise and instruct you (notwithstanding any previous instructions which we may have given to the contrary) as follows:

- (A) to disclose to the Security Agent any information relating to the Insurances as the Security Agent may from time to time request you to provide;
- (B) to comply with the terms of any written notice, statement or instructions in any way relating to or purporting to relate to any of the Insurances; and
- (C) to pay all moneys becoming due and payable in respect of the Insurances to the Security Agent in accordance with its instructions following a notice from the Security Agent that the security under the Debenture has become enforceable.

Please confirm by completing the enclosed copy of this notice and returning it to the Security Agent that:

- (A) you agree to act in accordance with the provisions of this notice;
- (B) you have not, at the date this notice is returned to the Security Agent, received any notice that any third party has or will have any right, title or interest in or will be making any claim or demand or taking any action against the Insurances;
- (C) if you become aware at any time that any person or entity has or will have a right, title or interest in or to the Insurances, you will as soon as practicable give written notice of the terms of that right, title or interest, claim, demand or action to the Security Agent; and
- (D) you acknowledge that the terms of the Insurances may not be amended, varied or cancelled and no waiver granted in relation to them without the consent of the Security Agent.

This letter shall be governed and construed in accordance with the laws of the Hong Kong Administrative Region.

Yours faithfully

for and on behalf of
Best Made Toys Global Enterprises Limited

[On Copy]

To: Bank of Montreal

First Canadian Place
100 King St. W., 11th Floor
Toronto, Ontario M5X 1A1

Attention: Bruce Groves

We hereby acknowledge receipt of the above notice and confirm the matters set out in paragraphs (a) to (d) above.

for and on behalf of
[insert name and address of Insurer]

Dated: [•]

SCHEDULE 5 : FORM OF LEGENDS

As is customary under secured lending arrangements, we hereby give notice to you that, under a debenture dated [•] and made between (1) Best Made Toys Global Enterprises Limited and (2) Bank of Montreal (the "Security Agent") as security agent and trustee for the benefit of the Secured Parties (as defined therein), we have assigned (by way of security) in favour of the Security Agent all our rights of the agreement between us for the supply of goods and subject of this invoice (including, without limitation, our rights in respect of the amounts payable to us under this invoice).

Please pay all moneys payable by you to us under this invoice to our account no. *[insert account number of security account]* with *[insert bank where security account is opened with]*.

IN WITNESS WHEREOF the Chargor hereto has hereunto executed and delivered this Debenture as a deed the day and year first above written.

THE CHARGOR

EXECUTED and DELIVERED
as a DEED by

**BEST MADE TOYS GLOBAL
ENTERPRISES LIMITED**
acting by:

SCOTT S. JOHNSON

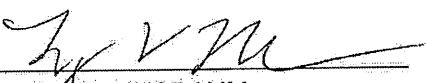
, a director

and

LARRY V. NUSBAUM

, a director



SCOTT S. JOHNSON
Director


LARRY V. NUSBAUM
Director

THE SECURITY AGENT

Signed for and on behalf of
BANK OF MONTREAL

By:


Bruce Groves
Managing Director

Execution version

DATED: May 29, 2015

Share Charge

by

Best Made Toys LLC
as Chargor

in favour of

Bank of Montreal
as Security Agent

relating to

Shares in Best Made Toys Global Enterprises Limited

Simmons & Simmons

13th Floor One Pacific Place 88 Queensway Hong Kong

香港金鐘道88號太古廣場一座13字樓

T 電話 +852 2868 1131 F 傳真 +852 2810 5040 DX 180029 Central 1

FM/067457-00008/JOER/KTKC : L_LIVE_APAC1:4189417v6

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BY:

- IN FAVOUR OF:

- Background:**

- Terms:**

1. Interpretation

1.1 Definitions

FM/067457-00008/JOER/KTKC

"Authorisation" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"CFC" has the meaning given to it in Clause 3.2.

"Charged Property" means any and all rights and/or assets expressed to be assigned, mortgaged or charged under Clause 3 (*Charging Clause*).

"Charged Shares" means, at any time, the Initial Shares and any other Shares which are issued in respect of or derived from the Shares (whether by way of redemption, bonus, preference, option, substitution, conversion or otherwise); provided that, at all times the Charged Shares shall be limited to 65% of the voting stock and 100% of the non-voting stock of the Shares.

"Companies Ordinance" means the Companies Ordinance, Chapter 622 of the laws of Hong Kong.

"Company" means Best Made Toys Global Enterprises Limited, a private company incorporated with limited liability under the laws of Hong Kong with company number 2218108 and having its registered office at 13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong.

"CPO" means the Conveyancing and Property Ordinance, Chapter 219 of the laws of Hong Kong.

"Credit Agreement" means the credit agreement dated on or about the date hereof between the Canadian Borrower as Canadian borrower, the Chargor as U.S. borrower, the Security Agent as Canadian Lender and Bank of Montreal acting through its Chicago Branch as U.S. Lender (as may be amended, supplemented, restated, replaced, or otherwise modified from time to time).

"Delegate" means a delegate or sub-delegate appointed under Clause 12.2 (*Delegation*).

"Dividends" means all dividends, interest and other moneys payable in respect of, and all other assets, rights, benefits and proceeds in respect of or derived from, the Charged Shares (whether by way of redemption, bonus, preference, option, substitution, conversion or otherwise).

"Finance Parties" means the "*Lenders*" as that term is defined in the Credit Agreement.

"Foreign Subsidiary" has the meaning given to it in Clause 3.2.

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

"Initial Shares" means the shares set out in Schedule 1 (*Chargors and Charged Shares*).

"Receiver" means a receiver and/or manager (and/or any other analogous person under any relevant jurisdiction, including a judicial manager, administrative receiver, administrator or provisional supervisor) appointed pursuant to this Deed in respect of the Charged Property.

"Relevant Currency" means in relation to each of the Secured Obligations the currency in which it is from time to time denominated or, if different, is payable.

"Secured Obligations" means all and any present and future obligations, liabilities and indebtedness (whether actual or contingent and whether owed jointly or severally or alone or in any other capacity whatsoever) of each present or future member of the Consolidated Group to any Secured Party of any kind and in any currency (including without limitations) under or pursuant to each or any of the Credit Documents together with all interest, commission, fees, costs, charges, expenses, and other sums incurred by the Security Agent in connection with the protection, preservation or enforcement of its respective rights including but not limited to under this Deed and the other Credit Documents or any other document evidencing or securing any such liabilities (after as well as before any demand or judgment).

"Secured Party" means a Finance Party, a receiver (including a Receiver) or receiver and manager or administrative receiver of the whole or any part of the assets which from time to time are, or are expressed to be, the subject of Transaction Security, or any delegate (including Delegate), agent, attorney, or co-trustee appointed by the Security Agent under any Transaction Security Document.

"Security" means any mortgage, charge, pledge, lien, hypothecation, assignment or other encumbrance securing or conferring any priority of payment in respect of any obligation of any person or any other agreement or arrangement having a similar effect.

"Security Rights" means all or any of the Security created or expressed to be created by or pursuant to this Deed, and (where the context permits) all rights, powers and remedies of the Security Agent and/or any Receiver provided by this Deed or by law in respect of the Charged Property.

"Shares" means ordinary shares of the Company.

"Third Parties Ordinance" means the Contracts (Rights of Third Parties) Ordinance, Chapter 623 of the laws of Hong Kong.

"Transaction Security" means the Security created or expressed to be created pursuant to the Transaction Security Documents.

"Transaction Security Document" means the "Security" as that term is defined in the Credit Agreement.

"Transfer Forms" means any (1) transfers, (2) assignments, (3) instructions or notices to any relevant person and (4) any other documentation required to transfer, improve or perfect title to the Charged Shares.

"Winding-up" means bankruptcy, winding-up, liquidation, insolvency, dissolution, receivership, administration, supervision, amalgamation, reconstruction, judicial management, merger or consolidation, or any analogous procedure or step in any jurisdiction.

1.2 Credit Documents

All terms and references used in this Deed (including the recitals) and which are defined or construed in the Credit Agreement but are not defined or construed in this Deed shall have the same meaning and construction in this Deed unless the context otherwise requires or otherwise stated. Any reference in this Deed to a Credit Document or any other document or agreement shall include that Credit Document, document or agreement as amended, modified, restated, novated, substituted or supplemented from time to time (including any increase in, extension of or change to any facility or commitment thereunder) and any document which amends, modifies, restates, novates, substitutes or supplements that

Credit Document, document or agreement, and includes all other documents supplemental to, collateral with, or derived from such Credit Document, document or agreement.

1.3 This Deed

Except to the extent that the context otherwise requires, any reference to "this Deed" includes any document which is supplemental hereto or which is expressed to be collateral herewith or which is entered into pursuant to or in accordance with the terms hereof, and is deemed to include a reference to any security created by or pursuant to or acknowledged by this Deed. The parties to this Deed intend it to take effect as a deed (even though the Security Agent only executes it under hand).

1.4 Headings and Clauses

The headings in this Deed are inserted for convenience only and shall be ignored in construing this Deed. Unless the context otherwise requires, words denoting the singular number only shall include the plural and *vice versa*. References to a statute shall be deemed to be references to that statute as from time to time amended or re-enacted. Save where otherwise indicated, references to a "Clause" or a "Schedule" are to be construed as references to a clause of, or a schedule to, this Deed.

1.5 Construction

In this Deed (including the above recitals), unless the context otherwise requires or otherwise stated:

"Charged Property" or "Secured Obligations" is deemed to include a reference to any part of them or it;

"Charged Shares", "Dividends" and "Shares" shall be construed so as to include the Chargor's rights, title and interest to or deriving from them, including any rights against any nominee holding or having an entitlement in respect of the Charged Property on behalf of the Chargor;

"Borrower", "Chargor", "Finance Parties", "Lender", "Obligors", "Security Agent", "Secured Parties" or any other person (or term which includes any of them) shall be construed so as to include its successors and permitted assigns and/or transferees and any persons deriving title under them;

a "person" shall be construed as a reference to any individual, company, body corporate, corporation sole or aggregate, government, state or agency of a state, firm, partnership, joint venture, association, organisation, trust or entity; and

a "successor" of any party to this Deed shall be construed as including any person to whom all or any part of the rights or obligations of such party under this Deed shall have been assigned or transferred or who shall have assumed all or any part of such rights or obligations, in each case, in accordance with the terms of the Credit Agreement.

1.6 The Security Agent

The Security Agent holds the benefit of this Deed, and all undertakings, representations and warranties given by the Chargor in this Deed are given to the Security Agent in its capacity as security trustee for and on behalf of and on trust for the Secured Parties on the terms of the Credit Agreement and the benefit of any rights of the Security Agent and

any Security taken pursuant to, or in connection with, this Deed by the Security Agent are granted to the Security Agent in such capacity.

1.7 Third party rights

Save as expressly provided to the contrary in this Deed, a person who is not a party to this Deed has no right under the Third Parties Ordinance to enforce or enjoy the benefit of any term of this Deed.

2. Undertaking to pay

The Chargor undertakes and covenants to the Security Agent during the subsistence of this Deed to pay or discharge its obligations under the Credit Documents to which it is a party when due and payable in accordance with the Credit Documents.

3. Charging Clause

3.1 The Chargor, as beneficial owner and as continuing security for the payment, performance and discharge of the Secured Obligations, the Chargor hereby charges to the Security Agent by way of first fixed charge all of the Chargor's right, title and interest from time to time in and to and under the Charged Shares and all Dividends.

3.2 Notwithstanding any other provision herein, in the case of a direct or indirect subsidiary of the Chargor that is organized under the laws of a jurisdiction other than one of the fifty states of the United States or the District of Columbia (a "Foreign Subsidiary") that is or becomes either (1) a "controlled foreign corporation" ("CFC") within the meaning of Section 957 of the Internal Revenue Code of 1986, as amended, or (2) is directly or indirectly owned by a CFC, then (i) the assets of such entity shall not constitute collateral to secure the Secured Obligations of the Chargor, and (ii) the stock of each such entity directly owned by the Chargor shall be collateral subject to any charge or security interest created hereunder to secure the Secured Obligations but limited to 65% of the voting stock and 100% of the non-voting stock of such entity.

4. Perfection Requirements

4.1 The Chargor shall on or promptly after the date of this Deed, procure the delivery to the Security Agent (each in a form satisfactory to the Security Agent) of:

- (A) all certificates and other documents of title to the Initial Shares and Dividends; and
- (B) standard transfer forms and bought and sold notes (if applicable) and/or such other Transfer Forms as the Security Agent may reasonably require (duly executed by or on behalf of the Chargor but, in each case, with the date and name of the transferee left blank) in respect of the Initial Shares.

4.2 The Chargor shall, promptly upon the acquisition, accrual, offer or issue of any further Shares in respect of or derived from, subject to Clause 3.2, the Charged Shares (or promptly upon the receipt of any Dividends in the form of stocks, shares, warrants or other securities), procure the delivery to the Security Agent of:

- (A) all share certificates and other documents of title (if any) representing those Shares and/or Dividends; and
- (B) such standard transfer forms, bought and sold notes and/or other Transfer Forms (duly executed by or on behalf of the Chargor but, in each case, with the date and

name of the transferee left blank) in respect of those Shares and/or Dividends as the Security Agent may require.

- 4.3 As at the date of this Deed, the Chargor confirms that it is not registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Cap. 622) of Hong Kong nor has it made any application to be so registered. The Chargor shall notify the Security Agent in writing in advance of any plan to register under Part 16 of the Companies Ordinance and shall ensure that details of the Security created by this Deed are duly registered with the Companies Registry in Hong Kong within one month after the Chargor is so registered under Part 16 of the Companies Ordinance.
- 4.4 The Chargor shall promptly take all steps necessary to ensure that the relevant details of the Security created by this Deed are duly filed with the Secretary of State of the State of Delaware, United States, and shall deliver to the Security Agent a file-stamped copy of a UCC-1 financing statement reflecting the Security on the Charged Shares filed with the Secretary of State of the State of Delaware, United States, and shall promptly take all other steps necessary to comply with all applicable registration requirements (if any) in respect of this Deed and the Security Rights.

5. **Voting Rights and Dividends**

- 5.1 Until an Event of Default occurs, the Chargor shall be entitled:

- (A) to receive all cash Dividends, interest and other moneys payable in respect of the Charged Shares; and
- (B) to exercise all voting and other rights in relation to the Charged Shares, **provided** that no vote shall be cast or corporate right exercised or other action taken which would impair the Security in the Charged Shares created by or pursuant to this Deed to the Security Agent or the perfection or realisation thereof or which would be inconsistent with or result in any violation of any provision of this Deed or the other Credit Documents or would otherwise result in any variation of the rights attaching to or conferred by all or any part of the Charged Shares or increase the issued share capital of the Company except, in each case, as permitted pursuant to the Credit Agreement.

- 5.2 At any time following the occurrence of an Event of Default which is continuing, the Security Agent may at its discretion (in the name of the Chargor or otherwise and without any further consent or authority from the Chargor):

- (A) require the Chargor to do all things that the Security Agent may require to transfer the Charged Property to, and register the Charged Property in the name of, the Security Agent (or its nominees);
- (B) require the Chargor to issue such instructions as the Security Agent may require in order to procure the payment, issue or transfer to the Security Agent (or its nominees) of the Dividends;
- (C) exercise (or refrain from exercising) any voting rights in respect of the Charged Property (and the Security Agent may revoke, or cause to be revoked, any proxies which may have been given pursuant to paragraph (B) of Clause 5.1);
- (D) apply all Dividends, interest and other moneys arising from the Charged Property as though they were the proceeds of sale under this Deed;

(E) exercise (or refrain from exercising) the powers and rights conferred on or exercisable by the legal or beneficial owner of the Charged Property including the right, in relation to any company whose shares or other securities are included in the Charged Property, to concur or participate in:

- (1) the reconstruction, amalgamation, sale or other disposal of such company or any of its assets or undertaking (including the exchange, conversion or reissue of any shares or securities as a consequence thereof);
- (2) the release, modification or variation of any rights or liabilities attaching to such shares or securities; and
- (3) the exercise, renunciation or assignment of any right to subscribe for any shares or securities,

in each case in such manner and on such terms as the Security Agent may think fit, and the proceeds of any such action shall form part of the Charged Property.

6. Share Security Provisions

In order to ensure that effective and enforceable Security over the Shares is granted to the Security Agent, the Chargor undertakes to the Security Agent:

(A) forthwith upon execution of this Deed, to deposit with the Security Agent:

- (1) a signed undated resignation of each director of the Company (incorporating a confirmation of no claim against the Company for compensation for loss of office or otherwise) substantially in the form set out in Schedule 2 (*Form of Letter of Resignation*), together with a signed authority from each such director authorising the Security Agent to make use of such resignation upon and/or at any time on or after the Security Rights become enforceable substantially in the form set out in Schedule 4 (*Form of Authorisation Letter*);
- (2) signed undated resolutions in writing of all the directors of the Company substantially in the form set out in Schedule 3 (*Form of Written Resolution of Directors*) approving (1) the resignation of each such director, (2) the appointment as directors in their place of such persons as the Security Agent may nominate and (3) the registration of any transfer of the Charged Shares pursuant to this Deed, together with a signed authority from each such director authorising the Security Agent to make use of such resolutions upon and/or at any time on or after the Security Rights become enforceable substantially in the form set out in Schedule 4 (*Form of Authorisation Letter*); and
- (3) a signed and undated written resolution of all the shareholders of the Company, substantially in the form set out in Schedule 5 (Shareholder's resolutions), approving all necessary amendments to the constitutional documents of the Company to, among others, remove any restrictions or impediments to any transfer of the Charged Shares or the registration of any such transfer of the Charged Shares, together with a signed authority from each such shareholder authorising the Security Agent to make use of such resolutions upon and/or at any time on or after the Security Rights become enforceable substantially in the form set out in Schedule 4 (*Form of Authorisation Letter*);

- (B) to give the Security Agent prior notice before the appointment or removal of any director of the Company;
- (C) forthwith upon the appointment, removal or resignation of any director of the Company, to deposit with the Security Agent (1) a resignation and authority of such director (if appointed) complying with paragraph (A)(1) above and (2) replacements for the documents referred to in paragraphs (A)(2) above reflecting such appointment, removal or resignation;
- (D) save as permitted under the Credit Agreement, not without the prior written consent of the Security Agent to permit the issue by the Company of any shares, warrants, options or other equity or debt instruments or securities ("Securities") or (except pursuant to this Deed) the transfer of any Securities issued by the Company; and
- (E) to notify the Security Agent of the contents of any material communication or document received by it in relation to any of the Charged Shares.

7. Security Undertakings

7.1 In order to ensure that effective and enforceable security over the Charged Property is granted to the Security Agent, the Chargor undertakes to the Security Agent:

- (A) to pay all calls or other payments due in respect of any of the Charged Shares (and agrees that if it fails to make any such payment the Security Agent may make that payment on its behalf and any sums so paid by the Security Agent shall be reimbursed by the Chargor on demand);
- (B) to ensure that the Charged Shares are at all times free from any restriction on transfer by the Security Agent or its nominee or any Receiver to perfect or enforce the Security Rights, and procure that the board of directors of the Company approves any transfer of the Charged Shares desired to be made by the Security Agent or its nominee or any Receiver in the exercise of the rights, powers and remedies conferred upon it by this Deed or by law;
- (C) to account to the Security Agent, promptly following receipt on and after the Security Rights become enforceable, for all moneys received in respect of the Charged Property and, pending payment of such moneys to the Security Agent, to hold such moneys on trust for the Security Agent;
- (D) not to (or agree to) do or cause or permit to be done anything which has or would be reasonably likely to depreciate, jeopardise or otherwise prejudice the market value or collateral value of the Charged Property or the Security Rights or alter the rights attaching to or prejudice the value of the Charged Property or any of it or render the Security Rights no longer legal, valid, binding and enforceable.

7.2 The powers conferred by this Deed shall not prejudice the Security Agent's right to enforce payment or discharge of the Secured Obligations without previous resort to the Security created by this Deed.

8. Restrictions and Further Assurance

8.1 No prejudicial conduct

Save as permitted under the Credit Agreement, the Chargor shall not (nor agree to) do, or permit to be done, anything which would render the Security Rights no longer legal, valid, binding and enforceable or which is reasonably likely to prejudice the Security Rights.

8.2 Further assurance

The Chargor shall at its own cost promptly do whatever is necessary to create, maintain and perfect the Security expressed to be created by this Deed and whatever else the Security Agent requires from time to time:

- (A) to perfect or protect the Security Rights or the priority of the Security Rights; or
- (B) to facilitate the exercise of any rights vested in the Security Agent or any Receiver or, on or after the Security Rights become enforceable, the realisation of the Charged Property,

including executing any transfer, conveyance, charge, mortgage, assignment or assurance of the Charged Property (whether to the Security Agent or its nominees or otherwise), paying all application, registration, renewal and other applicable fees, making any filings and registration and giving any notice, order or direction.

9. Representations

The Chargor represents and warrants to the Security Agent and each other Secured Party on the date of this Deed and on each date on which the representations and warranties set out in Article 9.1 (*Representations and Warranties*) of the Credit Agreement are made pursuant to Article 9.2 (*Survival and Repetition of Representations and Warranties*) of the Credit Agreement that:

9.1 Registration requirements

Except for registration of this Deed as referred to in Clause 4.4, or as specifically referred to in any legal opinion delivered pursuant to Article 3.1(r) (*Conditions Precedent to the First Advance*) of the Credit Agreement, it is not necessary to file, register or record this Deed in any public place or elsewhere.

9.2 Ownership

The Company's entire issued share capital is legally and beneficially owned by the Chargor.

9.3 Security

- (A) The Charged Shares:
 - (1) are fully paid up and have no moneys or liabilities outstanding or payable in respect of any of them;
 - (2) represent no less than 65% of the voting stock of the issued Shares, and there is no non-voting stock in the issued Shares that are not Charged Shares;
 - (3) are free from all Security except for Transaction Security, and are not subject to any option to purchase or similar rights; and
 - (4) subject to the putting into effect of the resolutions and the amendment to the Company's constitution as referred to in Clause 6(A)(3) above, have been duly authorised and validly issued and are freely and fully transferable and not subject to any pre-emptive rights or restrictions (contractual, regulatory or otherwise) on transfer or disposal.

- (B) It is the sole legal and beneficial owner of the Charged Property, free from any Security or right of set-off, counterclaim or other equity whatsoever and from all third party rights and interests except as created by or pursuant to this Deed or as otherwise permitted under the Credit Agreement.
- (C) It has not sold, transferred, lent, assigned, parted with its interest in or disposed of, granted any option in respect of or otherwise dealt with any of its rights, title and interest in and to the Charged Property, or agreed to do any of the foregoing (other than in accordance with and as expressly permitted by the Credit Agreement).
- (D) It has not done or caused or permitted to be done anything which has or would be reasonably likely to (1) alter the rights attaching to and/or (2) depreciate, jeopardise or otherwise prejudice the market value or collateral value of the Charged Property or the Security Rights.
- (E) The Security created by this Deed has or will have the ranking in priority which it is expressed to have in this Deed and it is not subject to any prior ranking or *pari passu* ranking Security.
- (F) Subject to the putting into effect of the resolutions and the amendment to the Company's constitution as referred to in Clause 6(A)(3) above, the constitutional documents of the Company do not and could not restrict or inhibit any transfer of those shares on creation or enforcement of the Security created by this Deed.
- (G) There are no agreements in force which provide for the issue or allotment of, or grant any person the right to call for the issue or allotment of, any share or loan capital of the Company (including any option or right of pre-emption or conversion).
- (H) It is not under any contractual, regulatory or other restriction which prevents it from (1) creating a security interest over the Charged Property in favour of the Security Agent and/or (2) disposing of the Charged Shares or any other Charged Property.

10. **Enforcement**

10.1 **When enforceable**

The Security constituted by this Deed (and any powers implied by statute) shall become immediately enforceable upon the occurrence of an Event of Default, and for so long as such Event of Default is continuing and at such time the Security Agent:

- (A) may enforce all or any part of any Security Rights (at the times, in the manner and on the terms it thinks fit) and take possession and hold or dispose of all or any part of the Charged Property;
- (B) whether or not it has appointed a Receiver, may exercise all or any of the powers, authorities and discretions given to mortgagees and Receivers by the CPO as varied or extended by this Deed or otherwise conferred by law; and
- (C) shall have all the rights of a legal and beneficial owner in respect of the Charged Property.

10.2 **Power of sale**

- (A) The statutory power of sale, of appointing a Receiver and the other statutory powers conferred on mortgagees by Section 51 (*Powers of mortgagee and receiver*) and Section 53 (*Sale by mortgagee*) of the CPO, and the Fourth

Schedule (*Powers of mortgagee and receiver*) to the CPO, as varied and extended by this Deed shall arise on and after the Security Rights become enforceable, and no restriction imposed by any ordinance or other statutory provision in relation to the exercise of any power of sale shall apply to this Deed.

- (B) The Security Agent may at any time and from time to time without notice (both before and after demand) appropriate any moneys received under this Deed in discharge of the Secured Obligations in accordance with the terms of the Credit Agreement.

10.3 No requirement of notice period

Subject to Clause 10.1 (*When enforceable*), neither the Security Agent nor any Receiver are required to give any prior notice of non-payment or default or of intended enforcement to the Chargor before enforcing the Security Rights; there is no minimum period for which Secured Obligations must remain due and unpaid before the Security Rights can be enforced and Paragraph 11 of the Fourth Schedule to the CPO (*Powers of mortgagee and receiver*) (and any similar provision under other laws) does not apply to this Deed.

10.4 No Liability as mortgagee in possession

Nothing done by or on behalf of the Security Agent pursuant to this Deed shall render it liable to account as a mortgagee in possession for any sums other than actual receipts.

10.5 Wide construction of enforcement powers

The powers of the Security Agent and the Receiver under this Deed on or after Security Rights become enforceable shall be construed in the widest possible sense and all parties to this Deed intend that the Security Agent and the Receiver shall have as wide and flexible a range of powers as may be conferred (or, if not expressly conferred, as is not restricted) by any applicable law and may be exercised without prior notice to the Chargor or prior authorisation from any court.

10.6 No requirement to enforce

The powers conferred by this Deed shall not prejudice the Security Agent's right to enforce payment or discharge of the Secured Obligations without previous resort to the Security created by this Deed.

10.7 Rights in respect of Charged Property following an Event of Default

At any time following the occurrence of an Event of Default which is continuing, the Security Agent may complete the documents deposited pursuant to Clauses 4.1, 4.2, 6(A) and 6(C), including but not limited to the instrument(s) of transfer and contract note(s), for all or any Charged Securities on behalf of the Chargor in favour of itself or such other person as it may select.

11. Appointment and Rights of Receivers

11.1 Appointment of Receivers

If:

- (A) requested by the Chargor at any time; or

- (B) the Security Rights has become enforceable (whether or not the Security Agent has taken possession of the Charged Property),

without any notice or further notice, the Security Agent may, by deed, or otherwise in writing signed by any officer or manager of the Security Agent or any person authorised for this purpose by the Security Agent, appoint one or more persons to be a Receiver. The Security Agent may similarly remove any Receiver and appoint any person instead as Receiver. If the Security Agent appoints more than one person as Receiver, the Security Agent may give those persons power to act either jointly or severally.

11.2 Scope of appointment

Any Receiver may be appointed Receiver of all of the Charged Property or of a part of the Charged Property specified in the appointment.

11.3 Powers and rights of Receivers

Each Receiver shall have the powers of the Security Agent conferred by Clause 10.2 (*Power of sale*) and all other rights, powers, discretions, privileges and immunities conferred on a Receiver by law or otherwise (including the rights of a legal or a beneficial owner of the Charged Property), and in the case of joint Receivers any power and rights may be exercised jointly or severally. All such powers and rights are exercisable without further notice, but the Receiver shall in the exercise of the Receiver's powers, authorities and discretions conform to the directions and regulations from time to time given or made by the Security Agent.

11.4 Agent of Chargor

Any Receiver shall be the agent of the Chargor for all purposes. The Chargor alone shall be responsible for the Receiver's contracts, engagements, acts, omissions, defaults and losses and for liabilities incurred by the Receiver.

11.5 Remuneration

The Security Agent may determine the remuneration of any Receiver and direct payment of that remuneration out of moneys it receives as Receiver. The Chargor alone shall be liable for the remuneration and all other costs, losses, liabilities and expenses of the Receiver.

12. Security Agent's Rights

12.1 Same rights as Receiver

Any rights conferred by this Deed or by applicable law upon a Receiver may be exercised by the Security Agent after the Security Rights become enforceable, whether or not the Security Agent shall have taken possession or appointed a Receiver of the Charged Property.

12.2 Delegation

The Security Agent may delegate in any manner to any person any rights exercisable by the Security Agent under this Deed. Any such delegation may be made upon such terms and conditions (including power to sub-delegate) as the Security Agent reasonably thinks fit (the fees, costs and remuneration payable to such delegate (or any such sub-delegate) to be borne by the Chargor).

13. Order of Distributions

- 13.1 All amounts received or recovered by the Security Agent or any Receiver or Delegate in exercise of their rights under this Deed shall be applied in the order provided in Article 8 (*Place and Application of Payments*) of the Credit Agreement, and any surplus amount (if any) after the Secured Obligations have been paid in full shall be paid to the Chargor or other person entitled to it.
- 13.2 This Clause 13 is subject to the payment of any claims having priority over the Security Rights, and does not prejudice the right of the Security Agent to recover any shortfall from the Chargor or limit their rights under Clause 17.5 (*Appropriations*).

14. Liability of Security Agent, Receivers and Delegates

14.1 Possession

If the Security Agent, any Receiver or any Delegate takes possession of the Charged Property, it or he may at any time relinquish possession.

14.2 Security Agent's liability

Neither the Security Agent nor any Receiver or Delegate shall (either by reason of taking possession of the Charged Property or for any other reason and whether as mortgagee in possession or otherwise) be liable to the Chargor or any other person for any costs, losses, liabilities or expenses relating to the Security Rights (including, without limitation, the taking possession of or the realisation of any Charged Property or the taking of any action permitted by this Deed or for any other reason and whether as mortgagee in possession or otherwise) or arising from any act, default, omission or misconduct of the Security Agent, any Receiver, any Delegate or their respective officers, employees or agents in relation to the Charged Property or in connection with the Credit Documents, except to the extent caused by its or his own gross negligence or wilful misconduct.

14.3 Vicarious liability

The Chargor may not take any proceedings against any director, officer, employee or agent of the Security Agent in respect of any claim it might have against the Security Agent or in respect of any act or omission of any kind (including gross negligence or wilful misconduct) by that officer, employee or agent in relation to this Deed or the Security created by or pursuant to this Deed.

14.4 Maintenance of obligations

- (A) Where any Charged Property is registered in the name of, or is otherwise transferred to, the Security Agent (or its nominee) in accordance with the terms of this Deed, it is expressly agreed that the Chargor shall remain liable to observe and perform all of the conditions and obligations attaching to such Charged Property including the payment of any sum due in respect of such Charged Property.
- (B) The Security Agent shall not be required to perform or fulfil any obligation of the Chargor in respect of any Charged Property or to make any payment, or to make any enquiry as to the nature or sufficiency of any payment received by it or the Chargor, or to present or file any claim or take any other action to collect or enforce the payment of any amount to which it may have been or to which it may be entitled under this Deed at any time or times.

15. **Power of Attorney**

15.1 **Appointment**

The Chargor by way of security irrevocably appoints the Security Agent, every Receiver and every Delegate severally as its attorney (with full power of substitution and delegation), on its behalf and in its name or otherwise, at such time and as its act and deed and in such manner as the attorney thinks fit:

- (A) to do anything which the Chargor is obliged to do (but has not done) under this Deed (including to execute charges over, transfers, conveyances, assignments and assurances of, and other instruments, notices, orders and directions relating to, the Charged Property); and
- (B) at any time on and after the Security Rights become enforceable, to exercise any of the rights conferred on the Security Agent, any Receiver or any Delegate in relation to the Charged Property by this Deed or under the CPO, the Companies Ordinance or generally under Hong Kong law.

15.2 **Ratification**

The Chargor ratifies and confirms and agrees to ratify and confirm whatever any such attorney shall do in the lawful exercise of the power of attorney granted by it in Clause 15.1 (*Appointment*).

16. **Protection of Third Parties**

16.1 No person (including a purchaser) dealing with the Security Agent, any other Finance Party, any Receiver or any Delegate shall be concerned to enquire:

- (A) whether the Secured Obligations have become payable or remain due;
- (B) whether the power or rights conferred by or pursuant to any Credit Document (including the right to appoint a Receiver) are exercisable;
- (C) whether any consents, regulations, restrictions or directions relating to such power or rights have been obtained or complied with;
- (D) otherwise as to the propriety or regularity of acts purporting or intended to be in exercise of any such power or rights; or
- (E) as to the application of any money borrowed or raised.

16.2 In the absence of bad faith on the part of such purchaser or other person, such dealings shall be deemed, so far as regards the safety and protection of such purchaser or other person, to be within the powers conferred by this Deed and to be valid accordingly. The remedy of the Chargor in respect of any impropriety or irregularity in the exercise of such power shall be in damages only.

16.3 A certificate in writing by an officer or agent of the Security Agent that any power of sale or other disposal has arisen and is exercisable shall be conclusive evidence of that fact, in favour of a purchaser of the Charged Property.

17. Saving Provisions

17.1 Continuing Security

The Security Rights:

- (A) are continuing security and will extend to the ultimate balance of the Secured Obligations, regardless of any intermediate payment or discharge in whole or in part;
- (B) shall be cumulative, in addition to, independent of and shall not in any way be prejudiced by any other guarantee or Security which the Security Agent (or any agent or trustee on its behalf) may at any time hold for the Secured Obligations or any rights, powers and remedies provided by law (and no prior security held by the Security Agent over the Charged Property shall merge into the Security created by or pursuant to this Deed); and
- (C) shall not be prejudiced by any unenforceability or invalidity of any other agreement or document or by any time or indulgence granted to the Chargor or any other person or by any other thing which might otherwise prejudice the Security Rights.

17.2 Reinstatement

If for any reason (including as a result of insolvency, breach of fiduciary or statutory duties or any similar event):

- (A) any payment to the Security Agent or any other Finance Party (whether in respect of the Secured Obligations or any security for the Secured Obligations or otherwise) is avoided, reduced or required to be restored; or
- (B) any settlement, discharge, compromise or arrangement (whether in respect of the Secured Obligations or any security for any Secured Obligations or otherwise) given or made wholly or partly on the basis of any payment, security or other matter which is avoided, reduced or required to be restored,

then:

- (1) the liability of the Chargor under this Deed and the Security Rights shall continue (or be deemed to continue) as if the payment, settlement, discharge, compromise or arrangement had not occurred; and
- (2) the Security Agent and each other Finance Party shall be entitled to recover the value or amount of that payment or security from the Chargor, as if the payment, settlement, discharge, compromise or arrangement had not occurred.

17.3 Waiver of defences

Neither the obligations of the Chargor under this Deed nor the Security Rights will be affected by an act, omission, matter or thing which, but for this Clause 17, would reduce, release or prejudice any of the Chargor's obligations under this Deed or any of the Security Rights (without limitation and whether or not known to it or the Security Agent) including:

- (A) any time, waiver or consent granted to, or composition with, the Borrowers, the Chargor, any other Obligor or any other person in connection with the Secured Obligations;

- (B) the release of the Borrowers, the Chargor, any other Obligor or any other person under the terms of any composition or arrangement with any creditor of the Borrowers, the Chargor, any such Obligor or any such person in connection with the Secured Obligations;
- (C) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce any rights against, or Security over assets of, the Borrowers, the Chargor, any other Obligor or any other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any Security;
- (D) any death, mental or other incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status or constitution of the Borrowers, the Chargor, any other Obligor or any other person;
- (E) any amendment (however fundamental) or replacement of a Credit Document or any other document or Security;
- (F) any unenforceability, illegality or invalidity of any obligation of any person under any Credit Document or any other document or Security;
- (G) any Winding-up; or
- (H) any Credit Document not being executed by or binding against any other person intended or expressed to be party to it.

17.4 Immediate recourse

The Security Agent shall not be obliged before exercising any of its rights, powers or remedies conferred upon it in respect of the Chargor by this Deed or by law:

- (A) to make any demand of or give any notice to the Chargor or any Obligor;
- (B) to take any action or obtain judgment in any court against the Chargor or any Obligor;
- (C) to make or file any claim or proof in a Winding-up of the Chargor or any Obligor; or
- (D) to enforce or seek to enforce any other security taken in respect of any of the Secured Obligations,

and the Chargor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Chargor under this Deed. This waiver applies irrespective of any law or any provision of a Credit Document to the contrary.

17.5 Appropriations

Until all the Secured Obligations shall have been irrevocably paid in full and all facilities which might give rise to Secured Obligations have terminated, each Finance Party (or any trustee or agent on its behalf) may:

- (A) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees

fit (whether against those amounts or otherwise) and the Chargor shall not be entitled to the benefit of the same; and

- (B) hold in a suspense account any moneys received, recovered or realised by that Finance Party under or pursuant to this Deed (including the proceeds of any conversion of currency) or in respect of the Secured Obligations with a view to preserving the rights of the Security Agent to prove the whole of the Secured Obligations.

17.6 Deferral of Chargor's rights

Until all the Secured Obligations shall have been irrevocably paid in full and all facilities which might give rise to Secured Obligations have terminated, and unless the Security Agent otherwise directs, the Chargor will not exercise or otherwise enjoy the benefit of any rights which it may have by reason of performance by it of its obligations under the Credit Documents:

- (A) to be indemnified by any Obligor;
- (B) to claim any contribution from any other provider of Security for, or any other guarantor of, the Secured Obligations; and/or
- (C) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Security Agent under the Credit Documents or of any guarantee or other Security taken pursuant to, or in connection with, the Credit Documents by the Security Agent.

If the Chargor shall receive any benefit, payment or distribution in relation to any such right it shall hold that benefit, payment or distribution (or so much of it as may be necessary to enable all amounts which may be or become payable to the Security Agent by the Obligors and the Chargor under or in connection with the Credit Documents to be paid in full) on trust for, and for and on behalf of and to the order of, the Security Agent, and shall promptly pay or transfer the same to the Security Agent or as the Security Agent may direct for application in or towards payment of the Secured Obligations in accordance with Article 8 (*Place and Application of Payments*) of the Credit Agreement.

18. Discharge of Security

18.1 Final redemption

Subject to Clause 18.2 (*Retention of security*), if all the Secured Obligations shall have been irrevocably paid in full and all facilities which might give rise to Secured Obligations have terminated, then the Security Agent shall, at the request and cost of the Chargor and without recourse to, or any representation or warranty by, the Security Agent or any of its nominees, release, reassign or discharge (as appropriate) the Charged Property from the Security Rights.

18.2 Retention of security

- (A) If any amount paid or credited to the Security Agent under any Credit Document is capable of being avoided or otherwise set aside on the Winding-up of the Chargor or any other person, or otherwise, then that amount shall not be considered to have been paid for the purposes of determining whether all the Secured Obligations have been irrevocably paid.

- (B) The Security Agent may retain any document or certificate delivered to it under this Deed until the Security Rights are released in accordance with the terms of this Deed and, if for any reason it returns any such document or certificate before that time, it may by notice to the Chargor require that the relevant document or certificate be redelivered to it and the Chargor shall as soon as practicable comply (or procure compliance) with that notice.

18.3 Consolidation

Any restrictions on the consolidation of Security shall be excluded to the fullest extent permitted by law and the Security Agent shall, so far as it is lawful and subject to other provisions of this Deed, be entitled to consolidate all or any of the Security Rights with any other Security whether in existence on the date of this Deed or in the future.

19. Expenses and Interest

19.1 Costs and Expenses

This Deed is a Credit Document and Article 13.1 (*Costs and Expenses*) of the Credit Agreement is incorporated into this Deed and shall apply *mutatis mutandis* as if set out in full.

19.2 Default interest

Default interest shall be payable by the Chargor in accordance with Articles 5.6 (*Overdue Principal and Interest*) and 5.7 (*Interest on Other Amounts*) of the Credit Agreement on any sum under this Deed which the Chargor fails to pay on its due date.

20. Payments

20.1 Demands

Any certification or determination by the Security Agent made under this Deed as to any rate or amount is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

20.2 Payments

All payments by the Chargor under this Deed (including damages for its breach) shall be made in the Relevant Currency and to such account, with such financial institution and in such other manner as the Security Agent may direct. All such payments shall be made in full in immediately available funds without counter-claim or set-off of any sum owing by the Security Agent to the Chargor, and free and clear of any deduction of or withholding for or on account of any tax or for any other reason, except to the extent that any such deduction or withholding is required by law.

20.3 Tax

The Chargor shall:

- (A) pay all present and future stamp, registration and similar Taxes or charges which may be payable, or determined to be payable, in connection with the execution, delivery, performance or enforcement of this Deed, or any judgment given in connection therewith; and

- (B) indemnify the Security Agent and any Receiver on demand against any and all costs, losses or liabilities (including, without limitation, penalties) with respect to, or resulting from, its delay or omission to pay any such stamp, registration and similar Taxes or charges.

20.4 Continuation of accounts

At any time after:

- (A) the receipt by the Security Agent of notice (either actual or otherwise) of any subsequent Security affecting the Charged Property; or
- (B) the presentation of a petition or the passing of a resolution in relation to the Winding-up of the Chargor,

the Security Agent may open a new account in the name of the Chargor with the Security Agent (whether or not it permits any existing account to continue). If the Security Agent does not open such a new account, then it shall nevertheless be treated as if it had done so when the relevant event occurred. No moneys paid into any account, whether new or continuing, after that event shall discharge or reduce the amount recoverable pursuant to any Credit Document. For the avoidance of doubt, if the payment which would (but for this Clause 20.4) have been applied in the reduction of the amount recoverable pursuant to any Credit Document, then for the purpose of calculating interest on the Secured Obligations, the Secured Obligations shall be deemed to have been reduced by the amount of that payment.

20.5 Currency conversion

For the purpose of or pending the discharge of any of the Secured Obligations the Security Agent may convert any money received, recovered or realised or subject to application by it under this Deed (including by set-off) from one currency to another, as the Security Agent may think fit, and any such conversion shall be effected at the spot rate of exchange for the time being which the Security Agent may obtain or quote for obtaining such other currency with the first currency.

20.6 Set-off

Notwithstanding and without prejudice to any other provision of this Deed or any right of the Security Agent under any applicable rule of law, the Security Agent may set off any matured obligation due from the Chargor (to the extent beneficially owned by the Security Agent) against any matured obligation owed by the Security Agent to the Chargor, regardless of the place of payment, booking branch or currency of either obligation.

21. Indemnities

21.1 Indemnities

- (A) The Chargor shall indemnify the Security Agent and the Receiver against all losses, liabilities, damages, out of pocket costs and expenses (including, without limitation, legal fees) incurred by it or them (1) in the performance of the terms and conditions of this Deed, and (2) against all actions, proceedings, claims, demands, costs, charges and expenses, which in each case may be incurred, sustained or arise in respect of the non-performance or non-observance of any of the undertakings and agreements of the Chargor in this Deed or of any representation or warranty made by the Chargor in this Deed having been incorrect when made.

- (B) The Security Agent may retain, out of any money in the Security Agent's hands, all sums necessary to effect the indemnities contained in this Clause 21.1 and all sums payable by the Chargor under this Clause shall form part of the monies secured by this Deed.

21.2 Indemnities separate

Each indemnity in this Deed shall:

- (A) constitute a separate and independent obligation from the other obligations in that or any other Credit Document;
- (B) give rise to a separate and independent cause of action;
- (C) apply irrespective of any indulgence granted by the Security Agent;
- (D) continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any of the Secured Obligations or any other judgment or order; and
- (E) apply whether or not any claim under it relates to any matter disclosed by the Chargor or otherwise known to the Security Agent.

22. Rights, Amendments, Waivers and Determinations

22.1 Ambiguity

Where there is any ambiguity or conflict between the rights conferred by law and those conferred by or pursuant to this Deed, the terms of this Deed shall prevail.

22.2 Remedies and waivers

No failure to exercise, nor any delay in exercising, on the part of the Security Agent, Receiver or Delegate any right or remedy under this Deed shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy.

22.3 Amendments and waivers

Any term of this Deed may be amended or waived only with the written consent of the Security Agent and the Chargor.

23. Partial Invalidity

If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, the legality, validity or enforceability of (1) the remaining provisions of this Deed and (2) such provision under the law of any other jurisdiction will not in any way be affected or impaired thereby.

24. Benefit of Security

24.1 Benefit and burden

- (A) This Deed shall be binding upon and enure to the benefit of each party to this Deed and its successors and assigns.

- (B) The Chargor's liability under this Deed shall continue notwithstanding any change of its or the Security Agent's name and/or its or the Security Agent's absorption by or in or amalgamation or merger with any other entity or the acquisition of all or part of its or the Security Agent's undertaking by any other entity, and reference to the Chargor or the Security Agent shall be deemed to include any assignee or successor in title of the Chargor or the Security Agent (as the case may be) and any person who, under the laws of its jurisdiction of incorporation or domicile, has assumed the rights and obligations of the Chargor or the Security Agent (as the case may be) under this Deed or to which under such laws the same have been transferred.

24.2 Chargor may not assign

The Chargor may not assign or transfer or otherwise dispose of all or any of its rights, benefits and obligations under this Deed.

24.3 Security Agent may assign

- (A) The Security Agent may assign all or part of its rights under this Deed or transfer all or part of its obligations under this Deed with the Chargor's prior consent (such consent not to be unreasonably withheld and shall be deemed to have been given if the Chargor has not objected on reasonable grounds within five (5) Business Days of its consent being requested or if the transfer is to a successor Security Agent upon the resignation of the Security Agent in accordance with the terms of the Credit Agreement, provided that such consent shall not be required if any Obligor or the Security Party is in breach of its obligations under the Credit Documents and such breach has not been remedied, or if the Lenders have issued a notice to the Borrowers under Article 12.2 (*Acceleration and Termination of Rights*) of the Credit Agreement).
- (B) If the Security Agent assigns and/or transfers all or any part of its rights and/or obligations under (and in accordance with the terms of) the Credit Agreement to any person, all or such equivalent part of its rights and benefits under this Deed shall, upon and by virtue of such assignment and/or transfer, be assigned and/or transferred to such person, and in the case of an assignment of part only of the Security Agent's rights and/or obligations the Security Agent shall be deemed to be acting as trustee for the assignee/transferee (as well as for itself) for the purposes of this Deed.
- (C) The Chargor irrevocably and unconditionally confirms that:
- (1) it consents to the assignment and/or transfer by the Security Agent of the Security Agent's rights and/or obligations in accordance with the Credit Documents;
 - (2) it shall continue to be bound by the terms of this Deed, notwithstanding the assignment and/or transfer by the Security Agent of any of the Security Agent's rights and/or obligations in accordance with the Credit Documents;
 - (3) the assignee or transferee of the Security Agent shall acquire an interest in this Deed upon the assignment or transfer taking effect; and
 - (4) it shall execute all documents and take all action that may be required by the Security Agent in respect of any such assignment or transfer.

25. **Communications**

Article 16.2 (*Notices*) of the Credit Agreement is incorporated into this Deed and shall apply *mutatis mutandis* to any notice, communication or demand to be given under this Deed or in connection with the matters contemplated by it.

26. **Governing Law**

This Deed shall be governed by, and construed in accordance with, the laws of Hong Kong.

27. **Enforcement**

27.1 **Jurisdiction**

- (A) The courts of Hong Kong have exclusive jurisdiction to settle any dispute and to entertain any suit, action or proceedings arising out of or in connection with this Deed (including a dispute regarding the existence, validity or termination of this Deed) (a "Dispute").
- (B) The parties agree that the courts of Hong Kong are the most appropriate and convenient courts to settle Disputes and accordingly no party will argue to the contrary.
- (C) This Clause 27.1 is for the benefit of the Security Agent only. As a result, the Security Agent shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Security Agent may take concurrent proceedings in any number of jurisdictions.

27.2 **Service of process**

Process may be served upon the Chargor in any manner permitted by law, and without prejudice to any other mode of service allowed under any relevant law, the Chargor irrevocably appoints Best Made Toys Global Enterprises Limited of 13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong (the "Process Agent") as its agent for service of process in relation to any proceedings before the Hong Kong courts in connection with any of the Credit Documents, and agrees that a failure by the Process Agent to notify the Chargor of any process will not invalidate the proceedings concerned.

27.3 **Immunity**

To the extent that the Chargor may be entitled in any jurisdiction to claim for itself or its assets immunity from any suit, jurisdiction of any court, execution, enforcement, attachment (whether provisional or final, in aid of execution, before judgment or otherwise), relief by way of injunction or order for specific performance or recovery of property, or other legal process or to the extent that in any jurisdiction such immunity (whether or not claimed) may be attributed to it or its assets, it irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction.

28. **Miscellaneous**

- 28.1 This Deed may be executed in any number of counterparts and this will have the same effect as if the signatures on the counterparts were on a single copy of this Deed.

28.2 The perpetuity period under the rule against perpetuities, if applicable to this Deed, shall be the period of eighty years from the date of the Credit Agreement.

29. **Disclosure of Information**

The provisions of Article 16.1 (*Exchange and Confidentiality of Information*) of the Credit Agreement (with any necessary consequential amendments) shall be deemed to be incorporated into this Deed as if they were set out in full in this Deed and shall apply *mutatis mutandis* as if the Chargor were the Borrower party and as if each of the Security Agent or any Delegate were a Lender party to the Facility Agreement and as if any reference to any Finance Document therein were a reference to this Deed.

SCHEDULE 1

CHARGORS AND CHARGED SHARES

<u>Chargor</u>	<u>Name of Company</u>	<u>Jurisdiction of incorporation and registration number (or equivalent, if any) of Company</u>	<u>Class of shares held</u>	<u>Number of shares held</u>
Best Made Toys LLC	Best Made Toys Global Enterprises Limited	Hong Kong, company number 2218108	Ordinary	65 share of total share capital amount of HK\$65.00 (share certificate numbered 3)

SCHEDULE 2

FORM OF RESIGNATION LETTER

[to be left blank]

The Board of Directors
Best Made Toys Global Enterprises Limited (the "**Company**")
[Insert address of the registered office of Best Made Toys Global Enterprises Limited]

Dear Sirs,

Resignation

[I/We] hereby tender [my/our] unconditional and irrevocable resignation as director of the Company with effect from the date of this letter. [[I/We] confirm that:

1. [I/We] have no claims whatsoever against the Company or any of its subsidiaries or associated companies (if any) on any account (whether for compensation, for loss of office, for accrued remuneration or for fees or otherwise howsoever); and
2. there is no outstanding agreement or arrangement with the Company or any of its subsidiaries or associated companies (if any) under which the Company or any of such subsidiaries or associated companies has or would have any obligation to [me/us] whether now or in the future or under which [I/We] would derive any benefit.

[EXECUTED and DELIVERED as a DEED by
[name of relevant corporate director]
in the presence of

)
)
)
)
)
)

Witness:

)]

C.S.

Or

[SIGNED, SEALED and DELIVERED as
a DEED by [name of relevant individual director]
in the presence of

)
)
)
)
)
)

Witness:

)]

L.S.

SCHEDULE 3

FORM OF WRITTEN RESOLUTIONS OF DIRECTORS

Best Made Toys Global Enterprises Limited (the "Company")

WRITTEN RESOLUTION OF ALL THE DIRECTORS made pursuant to Article [] of the Articles of Association of the Company

CHANGES IN DIRECTORS

IT IS RESOLVED that the following be appointed additional directors of the Company with immediate effect:-

[to be left blank]

IT IS RESOLVED that the resignation of the following persons as directors of the Company be accepted with immediate effect:-

[to be left blank]

[CHANGES IN SECRETARY

IT IS RESOLVED that the following person be appointed secretary of the Company with immediate effect:-

[to be left blank]

IT IS RESOLVED that the resignation of the following person as secretary of the Company be accepted with immediate effect:-

[to be left blank]

[TRANSFER OF SHARES

IT IS RESOLVED that any transfer of the shares of the Company executed pursuant to a share charge in favour of Bank of Montreal dated [•] be recorded in the Company's books and share certificate(s) issued to the transferee(s) thereof.

[COMPANIES REGISTRY / REGISTERED AGENT]

IT IS RESOLVED that the above changes in directors [and shareholding] of the Company be reported to the [Companies Registry on the forms specified by the Companies Registry as soon as possible and for this purpose, any one director or the new secretary of the Company be authorised to sign such forms / Company's registered agent as soon as possible so that the registers of the Company be updated.]

[all the directors of Best Made Toys Global Enterprises Limited to state their names and sign]
Date: [to be left blank]

[Date]

L.S.

SCHEDULE 5

SHAREHOLDER'S RESOLUTIONS

Best Made Toys Global Enterprises Limited
(the "Company")

WRITTEN RESOLUTIONS OF THE SOLE SHAREHOLDER DATED DAY OF

The undersigned, being the shareholders of Best Made Toys Global Enterprises Limited (the "**Company**"), hereby resolve as **SPECIAL RESOLUTIONS** as follows:

- 1 **THAT** the following definitions be added lexicographically to the definitions section contained in the articles of association of the Company ("Articles of Association"):
 "**Security Interest**" means any mortgage, charge, pledge, lien, encumbrance or other third party right or interest (whether legal or equitable) of whatsoever nature granted by a member over its shares in writing by the member or on behalf of the member, including, without limitation, the Share Charge.
 "**Share Charge**" means any charge over shares in the company granted by a member to a financial institution that may be providing certain facilities to the company.
- 2 **THAT** the following be added to the beginning of Article 2(1) of the Articles of Association:
 "Except as required by law and save for any Security Interest of any person,"
- 3 **THAT** the following be added to the end of Article 2(1) of the Articles of Association:
 PROVIDED THAT the directors shall not register a transfer of any shares which are subject to a Security Interest without the prior written consent of the person to whom the Security Interest is granted and further **PROVIDED THAT** the directors shall register the financial institution who holds the benefit of any Security Interest under a Share Charge as the member and any interest of any person, whom that financial institution nominated pursuant to the Share Charge, to whom a Security Interest is granted, following the enforcement of the Security Interest and the delivery of a valid form of transfer in respect of such shares executed by the person entitled to the benefit of the Security Interest, its assignee or its delegate or by the member who is the holder of such shares at the direction of such person, assignee or delegate.
- 4 **THAT** the following be added as new Article 63(5) of the Articles of Association:
 Notwithstanding anything contained in these articles, any instrument irrevocably appointing any financial institution who holds the benefit of a Security Interest under a Share Charge as a proxy for the purposes of implementing the Share Charge following enforcement of the Security Interest granted to that financial institution by the chargor thereunder (the "**Mortgagee Proxy**"), shall not require the approval of the Directors as to its form provided that the Directors are informed of the appointment of the Mortgagee Proxy. The instrument appointing the Mortgagee Proxy shall be deemed to confer authority to vote the shares which are subject to the Share Charge at all general meetings of members and to requisition and convene a meeting or meetings of members for the purpose of appointing or confirming the appointment of new directors of the Company

and/or such other matters necessary or desirable for the purpose of enforcing the Share Charge.

[all the members of Best Made Toys Global Enterprises Limited to state their names and sign]

Date:

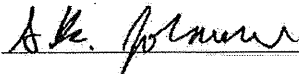
THIS DEED WAS DULY SIGNED ON BEHALF OF THE SECURITY AGENT AND DULY EXECUTED AS A DEED BY THE CHARGOR AND IS INTENDED TO BE AND IS HEREBY DELIVERED BY IT AS A DEED ON THE DATE FIRST SPECIFIED ON PAGE 1 ABOVE.

The Chargor

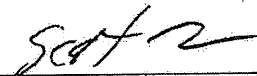
EXECUTED and DELIVERED as a DEED
by **BEST MADE TOYS LLC** acted by:

in the presence of:

witness:



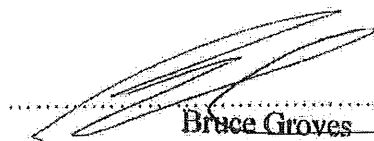
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SCOTT S. JOHNSON
Chairman

The Security Agent

Signed for and on behalf of
BANK OF MONTREAL
in the presence of:



.....
Bruce Groves
Managing Director

Tab G

THIS IS EXHIBIT "G" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME
ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

GENERAL SECURITY AGREEMENT

BETWEEN

BEST MADE TOYS INTERNATIONAL, ULC

and

BANK OF MONTREAL

May 29, 2015



CASSELS BROCK
LAWYERS

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GENERAL SECURITY AGREEMENT

Dated May 29, 2015

BETWEEN:

BEST MADE TOYS INTERNATIONAL, ULC, a British Columbia corporation (the "Debtor")

and

BANK OF MONTREAL (the "Secured Party").

RECITALS:

A. The Secured Party has agreed to provide to the Debtor certain credit facilities for such purposes as are established by the terms and conditions of that certain credit agreement dated as of the date hereof between the Debtor, as Canadian Borrower, Best Made Toys Holdings LLC, as U.S. Borrower, Bank of Montreal, as Canadian Lender, and Bank of Montreal acting through its Chicago Branch, as U.S. Lender (as may be amended, supplemented, restated, replaced, or otherwise modified from time to time, the "Credit Agreement").

B. As a condition precedent to the Secured Party entering into the Credit Agreement, and making the credit facilities and other financial accommodations available to the Debtor, the Debtor is required to enter into this agreement to secure the payment and performance of its Obligations.

The parties agree as follows:

ARTICLE 1 INTERPRETATION

1.01 Definitions

Words and expressions defined in the PPSA and the STA are used in this agreement (capitalized or not) with the defined meanings assigned to them in those statutes, unless the context otherwise requires. For greater certainty, in this agreement each of the words "accessions," "account," "chattel paper," "consumer goods," "document of title," "equipment," "goods," "instruments," "intangible," "inventory," "investment property," "money," and "proceeds" has the same meaning as its defined meaning in the PPSA and each of the terms "certificated security," "entitlement holder," "financial asset," "securities account," "securities intermediary," "security," "security entitlement," and "uncertificated security" has the same meaning as its defined meaning in the STA. In this agreement, in addition to the terms defined above, the following definitions apply:

"Account Debtor" means a party obligated to pay under any account, chattel paper, or instrument constituting Collateral.

"Collateral" means, collectively, all of the Debtor's present and after-acquired personal property (including all accounts, chattel paper, Documents, documents of title, equipment, goods, instruments, intangibles, inventory, investment property, Licences, money, securities (other than Unlimited Liability Shares), security entitlements (other

than security entitlements in Unlimited Liability Shares), undertaking, proceeds, and Replacements (other than proceeds or Replacements composed of Unlimited Liability Shares or security entitlements in Unlimited Liability Shares), together with the Debtor's interest in any of them) but excludes consumer goods and any reference in this agreement to Collateral will, unless the context otherwise requires, be deemed a reference to "Collateral or any part thereof."

"Default" means the occurrence of an Event of Default as such term is defined in the Credit Agreement.

"Documents" means all the Debtor's books, accounts, invoices, letters, papers, security certificates, documents, and other records (including customer lists and records, subject, however, to privacy, confidentiality, and access rights of customers), in any form evidencing or relating to any part of the Collateral, together with all agreements, licences, and other rights and benefits relating to any of them.

"Indemnified Party" has the meaning given to that term in section 3.12 (General indemnity).

"Licence" means (a) any authorization from any Governmental Authority having jurisdiction relating to the Debtor or its businesses, undertaking, or properties, (b) any authorization from any Person granting any easement or licence relating to any real or immovable property, and (c) any Intellectual Property licence.

"Notice" means any notice, request, direction, or other document that a party can or must make or give under this agreement.

"Obligations" means all of the Debtor's present and future liabilities, obligations, and indebtedness (including all principal, interest, fees, expenses, and other amounts), whether direct or indirect, contingent or absolute, joint or several, matured or unmatured, in any currency, and whether as principal debtor, guarantor, surety, or otherwise to the Secured Party arising under, in connection with, or relating to the Credit Agreement and the other Credit Documents.

"PPSA" means the *Personal Property Security Act* (Ontario).

"Receiver" means any privately or court appointed receiver, manager, or receiver and manager for the Collateral or for any of the Debtor's business, undertaking, or property appointed by the Secured Party under this agreement or by a court on application by the Secured Party.

"Recovery" means any monies received or recovered by the Secured Party after the Security Interest has become enforceable, whether under any enforcement of the Security Interest, by any suit, action, proceeding, or settlement of any claim, or otherwise.

"Related Rights" means all of the Debtor's rights arising under, by reason of, or otherwise in connection with, any agreement, right, Licence, or permit (including the right to receive payments under any of them).

"Replacements" means all increases, additions, improvements, and accessions to, and all substitutions for and replacements of, any part of the Collateral in which the Debtor now or later has rights.

"Security Interest" means, collectively, the grants, mortgages, charges, pledges, transfers, assignments, and other security interests created under this agreement including a floating charge on all of the Debtor's interest in personal, real, immoveable, or leasehold property, both present and future, that is not (a) already validly and effectively charged or (b) excluded from the Collateral, which will become a fixed charge upon enforcement of the Obligations.

"Shrink-Wrap Software" means shrink-wrap or off-the-shelf software used by the Debtor that was readily available for use at the time of purchase or licensing and was not customized for the Debtor.

"STA" means the *Securities Transfer Act, 2006* (Ontario).

"Third Party Agreements" means all leases (true or finance), Licences, and other agreements affecting any of the Debtor's rights, title, or interest in any of the Intellectual Property.

"Transaction Documents" means this agreement and each other agreement from time to time in effect between the Debtor and the Secured Party arising under, in connection with, or relating to the Credit Agreement and the other Credit Documents (including all Documents relating to any of them).

"undertaking" means all of the Debtor's present and future real and personal property, businesses, undertaking, and goodwill that are not accounts, chattel paper, Documents, documents of title, equipment, instruments, intangibles, inventory, money, or securities.

"Unlimited Liability Company" means any unlimited liability company incorporated or otherwise constituted under the laws of British Columbia or any similar body corporate formed under the laws of any other jurisdiction whose members may at any time become responsible for any of the obligations of that body corporate.

"Unlimited Liability Shares" means member or shareholder interests in an Unlimited Liability Company in which the Debtor now or later has rights.

Capitalized terms used in this agreement and not otherwise defined have the meanings given to them in the Credit Agreement.

1.02 References to specific terms

- (a) *Currency.* Unless specified otherwise, all dollar amounts expressed in this agreement refer to Canadian currency.
- (b) *"Including."* Where this agreement uses the word "including," it means "including without limitation," and where it uses the word "includes," it means "includes without limitation."

- (c) *"Knowledge."* Where any representation, warranty, or other statement in this agreement, or in any other document delivered under this agreement, is expressed by a party to be "to its knowledge," or is otherwise expressed to be limited in scope to facts or matters known to the party or of which the party is aware, it means (i) the current, actual knowledge of directors and officers of that party and (ii) the knowledge that would or should have come to the attention of any of them had they duly investigated the facts related to that statement and made reasonable inquiries of other individuals reasonably likely to have knowledge of facts related to that statement.
- (d) *Statutes, etc.* Unless specified otherwise, any reference in this agreement to a statute includes the regulations, rules, and policies made under that statute and any provision that amends, supplements, supersedes, or replaces that statute or those regulations, rules, or policies.

1.03 Headings

The headings used in this agreement and its division into articles, sections, schedules, exhibits, appendices, and other subdivisions do not affect its interpretation.

1.04 Internal references

References in this agreement to articles, sections, schedules, exhibits, appendices, and other subdivisions are to those parts of this agreement.

1.05 Number and gender

Unless the context requires otherwise, words importing the singular number include the plural and vice versa; words importing gender include all genders.

1.06 Calculation of time

In this agreement, a period of days begins on the first day after the event that began the period and ends at 5:00 p.m. Eastern Time on the last day of the period. If any period of time is to expire, or any action or event is to occur, on a day that is not a Business Day, the period expires, or the action or event is considered to occur, at 5:00 p.m. Eastern Time on the next Business Day.

1.07 Construction of terms

The parties have each participated in settling the terms of this agreement. Any rule of legal interpretation to the effect that any ambiguity is to be resolved against the drafting party will not apply in interpreting this agreement.

1.08 Schedules

The following are the schedules to this agreement:

- Schedule A - Location of Debtor and Collateral
- Schedule B - List of Securities and Security Entitlements
- Schedule C - List of Intellectual Property

ARTICLE 2 GRANT OF SECURITY

2.01 Creation of Security Interest

As general and continuing security for the due payment, observance, and performance by the Debtor of all Obligations, the Debtor hereby grants to the Secured Party a Security Interest in the Collateral.

2.02 Attachment

The parties acknowledge that (a) the Debtor has rights in the Collateral, (b) the Secured Party has given value to the Debtor, (c) the parties have not agreed to postpone the time for attachment of the Security Interest, and (d) the Security Interest is intended to attach (i) as to Collateral in which the Debtor now has rights, when the Debtor executes this agreement and (ii) as to Collateral in which the Debtor subsequently acquires rights, when the Debtor first obtains those rights.

2.03 Release of Collateral

The Secured Party may, at its discretion and at any time, release from the Security Interest any of the Collateral or any other security or surety for the Obligations either with or without sufficient consideration for that Collateral without releasing any other part of the Collateral or any Person from this agreement.

2.04 Account Debtor

Upon the occurrence of a Default that is continuing the Secured Party may notify and direct any Account Debtor of the Debtor to make payment directly to the Secured Party. The Secured Party may, at its discretion, apply the amounts received from any Account Debtor of the Debtor and any proceeds in accordance with section 6.18 (Application of payments) or hold them as part of the Collateral.

2.05 Leasehold interests

- (a) The last day of the term of any lease, sublease, or agreement to lease or sublease now held or subsequently acquired by the Debtor is excluded from the Security Interest and does not form part of the Collateral. However, upon the Security Interest becoming enforceable, the Debtor will stand possessed of that last day and hold it in trust for the Security Party and shall assign it as the Secured Party directs.
- (b) If any lease, sublease, or agreement to lease or sublease contains a term that provides, in effect, that it may not be assigned, sub-leased, charged, or made the subject of any Encumbrance without the consent of the lessor, the application of the Security Interest to that agreement will be conditional upon obtaining that consent.

2.06 Contractual rights

- (a) To the extent that the creation of the Security Interest would constitute a breach, or cause the acceleration, of any agreement, right, Licence, or permit to which the Debtor is a party, the Security Interest will not attach to it. However, the Debtor shall hold such contractual rights in trust for the Secured Party and shall assign that agreement, right, Licence, or permit to the Secured Party immediately upon obtaining the consent of the other party.
- (b) The Security Interest will nonetheless immediately attach to any Related Rights if, to the extent that, and as at the time that attachment to the Related Rights is not illegal, is not enforceable against the Secured Party or other third parties generally, or would not result in an ineligible transfer or a material loss or expense to the Debtor.
- (c) To the extent permitted by law, the Debtor shall hold in trust for the Secured Party and, after a Default occurs and continues, provide the Secured Party with the benefits of, each agreement, right, Licence, or permit and enforce all Related Rights at the direction of and for the benefit of the Secured Party or at the direction of any other Person that the Secured Party may designate.

2.07 Intellectual Property

The Debtor grants the Security Interest in the Intellectual Property only as security. Before the Security Interest becomes enforceable under this agreement, the Secured Party will not be or be deemed to be the owner of any of the Intellectual Property. Further, the Secured Party will not be deemed to have assumed, or be deemed to be liable for, any covenant, agreement, or other obligation of the Debtor under any agreement, right, Licence, or permit relating to the Intellectual Property to which the Debtor is a party.

2.08 Commingled goods

If the Collateral subsequently becomes part of a product or mass to which the security interest of another secured party attaches, the Security Interest will extend to all accounts, Replacements, or proceeds arising from any dealing with such product or mass.

2.09 Release of Security Interest

Once the Debtor satisfies the Obligations in full, the Secured Party shall, within a reasonable time after it receives a written request from the Debtor, release the Security Interest and execute and deliver any releases and discharges that the Debtor may reasonably require. The Debtor shall pay all expenses incurred by the Secured Party in doing so.

ARTICLE 3 DEBTOR'S COVENANTS

3.01 Payment of Obligations

The Debtor shall satisfy the Obligations when due.

3.02 Care of Collateral

The Debtor shall keep the Collateral in good condition.

3.03 Encumbrances

The Debtor shall keep the Collateral free of all Encumbrances, except for Permitted Encumbrances. The Debtor shall defend the title of the Collateral against any Person. The Secured Party may, at any time, contest the validity, effect, perfection, or priority of any Encumbrance. No Encumbrance may rank in priority to or pari passu with the Security Interest, except Permitted Encumbrances. Nothing in this agreement is intended to create any rights (including subordination rights or any release of Security Interest) in favour of any Person other than the Secured Party, any Receiver, and the other Indemnified Parties.

3.04 Proceeds held in trust

From and after the first date on which the Secured Party exercises any remedies under Article 6 (Rights and Remedies), the Debtor shall hold any accounts, dividends, distributions, interest, proceeds, and other income that it collects in respect of the Collateral as agent and in trust for the Secured Party separate and apart from all its other property. The Debtor shall pay any such amounts to the Secured Party immediately upon receipt.

3.05 Accessions and fixtures

The Debtor shall prevent the Collateral from becoming (a) an accession to any personal property not subject to this agreement or (b) affixed to any real property unless the Security Interest ranks prior to the interests of another Person in the realty.

3.06 Notice of change

- (a) The Debtor shall give Notice to the Secured Party
 - (i) immediately of (A) any material Intellectual Property in which the Debtor acquires rights, (B) any securities and security entitlements in which the Debtor acquires rights, or (C) any location at which Documents are situated or any event occurring that, after notice or lapse of time, would constitute a Default,
 - (ii) prior to (A) any change of name of the Debtor and (B) any change in or addition to the location of Collateral from those locations referred to in section 5.05 (Location of Collateral), and
 - (iii) prior to (A) the adoption of a French or combined English and French form of name, (B) any change in the jurisdiction where the Debtor is incorporated or continued or where the registered office or chief executive office of the Debtor is located, (C) any change in the jurisdiction where the chief executive officer or any director of the Debtor resides, or (D) any change in the chief executive officer or directors of the Debtor identifying the name and jurisdiction of residence of each new chief executive officer or director.

- (b) The Debtor hereby authorizes the Secured Party, as the Debtor's attorney under this agreement, to revise each schedule to reflect the information provided to the Secured Party under this section.

3.07 Corporate changes

Except as provided in the Credit Agreement and without the prior written consent of the Secured Party, the Debtor shall not (a) permit any direct or indirect change in the ownership interests or voting control of the Debtor, (b) permit all or a substantial portion of its businesses, undertaking, or properties to become the businesses, undertaking, or properties of any other Person, whether in one or a series of transactions, related or not, or (c) change its fiscal year end. If the Debtor is an artificial body, it may not amalgamate, merge, or enter into any business combination, in each case, if so doing would, in the Secured Party's opinion, adversely affect the businesses, undertaking, or properties of the Debtor or the validity, effect, perfection, or priority of the Security Interest in the Collateral.

3.08 Documents

The Debtor shall keep proper Documents and shall keep the Documents at the locations specified in Schedule A (Location of Debtor and Collateral).

3.09 Maintenance of Intellectual Property

The Debtor shall perform all covenants required under any Third Party Agreement (including promptly paying all required fees, royalties, and taxes) to maintain every item of Intellectual Property in full force and effect. The Debtor shall vigorously protect, preserve, and maintain all of the value of, and all of the right, title, and interest of the Debtor in, the Intellectual Property owned by the Debtor (including the prosecution and defence against any suits concerning the validity, infringement, enforceability, ownership, or other aspects affecting any of the Intellectual Property).

3.10 Delivery of certain Collateral

At the request of the Secured Party, the Debtor shall deliver to the Secured Party all items of Collateral that are chattel paper, instruments, or negotiable documents of title, endorsed to the Secured Party or in blank by an effective endorsement, as the Secured Party may reasonably request.

3.11 Registration

The Debtor shall make all necessary filings, registrations, and other recordations to protect the interest of the Secured Party in the Collateral (including all recordations in connection with patents, trade-marks, and copyrights forming part of the Intellectual Property). The Debtor shall cause its representatives to immediately register, file, and record this agreement, or notice of this agreement, on behalf of the Secured Party at all proper offices where, in the opinion of counsel to the Secured Party, registration, filing, or recordation may be necessary or advantageous to create, perfect, preserve, or protect the Security Interest in the Collateral and its priority. The Debtor shall subsequently cause its representatives to maintain all those registrations, filings, and recordations on behalf of the Secured Party in full force and effect (including by making timely payment of any renewal or maintenance fees).

3.12 General indemnity

The indemnity obligations set out in Section 13.2 of the Credit Agreement shall apply to this Agreement.

3.13 Set-off, combination of accounts, and crossclaims

The Debtor shall satisfy the Obligations without regard to any equities between the Debtor and the Secured Party or any assignee of the Secured Party or any right of set-off. However, the Secured Party or any assignee of the Secured Party may set off or apply against, or combine with, the Obligations any indebtedness owing by the Secured Party or any assignee of the Secured Party to the Debtor, direct or indirect, extended or renewed, actual or contingent, mutual or not, at any time before, upon, or after maturity, without demand upon or notice to anyone, and the terms of that indebtedness and Obligations will be changed to the extent necessary to permit and give effect to the set-off, application, and combination.

3.14 Limitations on Secured Party's rights and realization

To the fullest extent permitted by applicable law, the Debtor shall waive all of the rights, benefits, conditions, warranties, and protections given by the provisions of any existing or future statute that imposes limitations upon the rights of a secured party or upon the methods of realization of Security Interest.

ARTICLE 4 DEBTOR'S RIGHTS

4.01 Unlimited Liability Shares

The Debtor is the sole registered and beneficial owner of each Unlimited Liability Share subject to the Security Interest and will remain so until they are effectively transferred into the name of the Secured Party or another Person on the books and records of the Unlimited Liability Company issuer.

4.02 Dealings with Collateral

Except as provided by this agreement or the Credit Agreement, the Debtor shall not sell, exchange, transfer, assign, or otherwise dispose of, grant a lien on, or deal in any way with the Collateral, or enter into any agreement or undertaking to do so, except that, until the first date on which the Secured Party exercises any remedies under Article 6 (Rights and Remedies), the Debtor (a) may sell, dispose of, or deal with the Collateral on ordinary commercial terms, in the ordinary course of its business, and for the purpose of carrying on its business so that the purchaser of that Collateral takes title to that Collateral free of the Security Interest, except that (i) the Debtor shall not create, assume, or have outstanding any Encumbrance on the Collateral other than Permitted Encumbrances and (ii) all rights of the Debtor as vendor, consignor, or lessor and all resulting accounts or proceeds remain subject to the Security Interest and (b) shall deposit all accounts or proceeds collected when doing so into the account that it maintains with the Secured Party. Special provisions relating to securities

- (a) Until the Secured Party provides notice to the contrary, any certificates representing the securities may remain registered in the name of the Debtor. Upon the occurrence of a Default that is continuing and upon request by the

Secured Party, the Debtor shall cause any of the securities to be registered in the name of the Secured Party or its nominee; for that purpose, the Debtor hereby appoints the Secured Party as its irrevocable attorney, with full power of substitution, to cause any or all of the securities to be registered in the name of the Secured Party or its nominee.

- (b) Contemporaneously with the execution and delivery of this agreement (as to securities and securities entitlements in which the Debtor now has rights), and within five Business Days of the Debtor first having rights in securities and securities entitlements (as to securities and securities entitlements in which the Debtor subsequently acquires rights), the Debtor shall
 - (i) physically deliver to the Secured Party each certificated security that is in bearer form,
 - (ii) physically deliver to the Secured Party each certificated security that is in registered form and, as the Secured Party may direct and (except for Unlimited Liability Shares) either (A) endorse the security certificate to the Secured Party or in blank by an effective endorsement or (B) register the security certificate in the name of the Secured Party or its nominee, in either case in form and substance satisfactory to the Secured Party,
 - (iii) cause the issuer of any uncertificated security to agree with the Secured Party that that issuer shall comply with the Secured Party's instructions without the further consent of the Debtor or any other entitlement holder, and
 - (iv) as the Secured Party directs, either (A) cause the Secured Party or its nominee to become the entitlement holder of each security entitlement (except for Unlimited Liability Shares) (B) cause the securities intermediary to agree with the Secured Party that the securities intermediary shall comply with entitlement orders in relation to each security entitlement that are originated by the Secured Party without the further consent of the Debtor or any other entitlement holder, or (C) cause another Person that has control on behalf of the Secured Party, or having previously obtained control, to acknowledge that the Person has control on behalf of the Secured Party of any security entitlement in the manner contemplated by paragraphs (A) or (B) above; any security (including any security entitlement) held or controlled by the Secured Party under this paragraph will be held as Collateral under this agreement.
- (c) Subject to paragraph (d) below, all rights conferred by statute or otherwise upon a registered holder of securities will (i) with respect to any securities or security entitlement held directly by the Secured Party or its representatives, be exercised as the Debtor may direct, and (ii) with respect to any securities or security entitlement held directly by the Debtor or its representatives, be exercised by the Debtor.
- (d) Until the Secured Party enforces the Security Interest,

- (i) the Debtor may exercise all voting rights attached to, and give consents, waivers, and ratifications in connection with, the securities, except that the Debtor may not cast any vote, give any consent, waiver, or ratification, or take any action that would be prejudicial to the interests of the Secured Party or that would have the effect of either reducing the value of the securities as security for the Obligations or imposing any restriction on the transferability of any of the securities, and
- (ii) without the prior written consent of the Secured Party, the Debtor may not exercise its voting rights attached to the securities in connection with the following matters relating to the issuer of the securities:
 - (A) the issuance of shares of any class in the capital stock of the issuer, or any subdivision or consolidation of any of those shares,
 - (B) any borrowing or guarantee of debt to be undertaken by the issuer,
 - (C) any investment to be made by the issuer outside the existing scope of its business,
 - (D) any disposition by the issuer of assets outside the existing scope of its business,
 - (E) any disposition by the issuer of any securities of its affiliates or subsidiaries,
 - (F) any plan of reorganization, merger, dissolution, liquidation, winding-up, or other similar plan affecting the corporate structure or existence of the issuer, or
 - (G) any amendment or other change to the constituting documents of the issuer.
- (e) If the Debtor is in Default or if the Security Interest otherwise becomes enforceable, all rights of the Debtor to vote and give consents, waivers, and ratifications in respect of the securities will immediately cease. In that event, the Secured Party and its representatives may, at the Secured Party's discretion (in the name of the Debtor or otherwise), exercise or cause to be exercised in respect of any of the securities (other than securities comprised of Unlimited Liability Shares) any voting rights or rights to receive dividends, interest, principal, or other payments of money forming part of the securities and all other rights conferred on or exercisable by the bearer or holder thereof.
- (f) The Secured Party's responsibility in connection with the securities in its possession is limited to exercising the same degree of care that it gives its own valuable property at its offices where any of the securities are held. The Secured Party will not be bound under any circumstances to realize upon any of the securities, to allow any of the securities to be sold, to exercise any option or right attaching thereto, or to be responsible for any loss occasioned by any sale of the

securities or by its retention or other refusal to sell them. The Secured Party is not obliged to collect or see to the payment of interest or dividends on the securities. The Debtor shall hold in trust all interest and dividends, if and when received, for the Secured Party and shall immediately pay those amounts to the Secured Party.

4.03 Purchase money security interests

The Debtor may grant purchase-money security interests in the ordinary course of its business in connection with the purchase or lease of inventory or equipment, except that this grant will not constitute a subordination of the Security Interest to those purchase-money security interests or a waiver by the Secured Party of the requirements prescribed by statute that, if complied with, would result in those purchase-money security interests ranking in priority to the Security Interest granted under this agreement.

ARTICLE 5 DEBTOR'S REPRESENTATIONS AND WARRANTIES

The Debtor represents and warrants to the Secured Party as follows, acknowledging that the Secured Party is relying on these representations and warranties:

STANDARD REPRESENTATIONS

5.01 No regulatory approvals required

It is not required to obtain any action, approval, authorization, consent, or order of, or make any filing, registration, qualification, or recording with, any Governmental Authority or any other Person in connection with the execution or delivery of, or the performance of its obligations under, this agreement, the Credit Agreement, or any other agreement entered into pursuant to the Credit Agreement.

5.02 Bankruptcy, etc.

No proceedings have been taken or authorized by it or, to its knowledge, by any other Person relating to its bankruptcy, insolvency, liquidation, dissolution, or winding up.

ADDITIONAL REPRESENTATIONS

5.03 Collateral unencumbered

Except for Permitted Encumbrances, the Debtor owns the Collateral free from any mortgage, lien, charge, encumbrance, pledge, security interest, or any other claim.

5.04 Location of Debtor

Schedule A (Location of Debtor and Collateral) lists the Debtor's full, complete name (including any French name), its registered office, chief executive office, places of business, and the jurisdiction in which it is incorporated.

5.05 Location of Collateral

Schedule A (Location of Debtor and Collateral) lists the locations of the Collateral, except for (a) Collateral that is in transit to and from those locations in the ordinary course of business, (b) equipment that is with repairers for repair and return to the Debtor, (c) Collateral having an aggregate value that is not material, and (d) Collateral that has been disposed of in accordance with the terms of the other Transaction Documents.

5.06 Securities and security entitlements

- (a) Schedule B (List of Securities and Security Entitlements) includes a complete list of all securities and security entitlements in which the Debtor currently has rights, which, if applicable, have been validly issued, fully paid, and non-assessable and constitute such percentage of all of the issued and outstanding securities of each such class or designation as set forth in Schedule B (List of Securities and Security Entitlements).
- (b) There is no agreement, option, warrant, privilege, or right related thereto that would require that the Debtor sell or otherwise dispose of any of the securities and security entitlements.
- (c) The Debtor has no subsidiaries other than those issuers listed in Schedule B (List of Securities and Security Entitlements).

5.07 List of Intellectual Property

Schedule C (List of Intellectual Property) includes a complete list of all Intellectual Property owned or used by the Debtor in carrying on the Debtor's business or required to dispose of the Collateral subdivided in the following categories: (a) owned by the Debtor, (b) licensed for use to the Debtor, and (c) licensed for use by the Debtor.

5.08 Registration of Intellectual Property

The Debtor has made all necessary filings, registrations, and recordations (including all relevant renewals) to protect all of its right, title, and interest in the Intellectual Property; all those filings, registrations, and recordations have been duly and properly made, are in full force and effect, and are not subject to dispute by any Governmental Authority. All Third Party Agreements are in good standing.

5.09 Entitlement to use Intellectual Property

The Debtor owns directly or is entitled to use by Licence or otherwise all Intellectual Property.

5.10 No litigation re Intellectual Property

No litigation is pending or threatened that contains allegations respecting the validity, enforceability, infringement, or ownership of any of the Intellectual Property (including any right, title, or interest of the Debtor in the Intellectual Property).

ARTICLE 6 RIGHTS AND REMEDIES

Upon the occurrence of a Default that is continuing, or if the Security Interest otherwise becomes enforceable, the Secured Party may exercise any of the following rights or remedies:

6.01 Acceleration and enforcement

The Obligations will be accelerated and become immediately due and payable in full and the Security Interest will become immediately enforceable without the Secured Party having to take any further action (except that no Security Interest over Unlimited Liability Shares will be enforceable without Notice in writing from the Secured Party to the Debtor that specifically identifies the Unlimited Liability Shares and the intention of the Secured Party to enforce security therein, which Notice has not been revoked).

6.02 Floating charge

Any floating charge will become a fixed charge and the Secured Party may register this agreement against the Debtor's lands.

6.03 Power of entry

The Secured Party may enter any premises owned, leased, or otherwise occupied by the Debtor or where any Collateral may be located to take possession of, dispose of, disable, or remove any Collateral by any method permitted by law. The Debtor shall grant to the Secured Party a licence to occupy any of the Debtor's premises for the purpose of storing any Collateral and shall, immediately upon demand, deliver to the Secured Party possession of any Collateral at the place specified by the Secured Party.

6.04 Power of sale

- (a) The Secured Party may sell, lease, consign, license, assign, or otherwise dispose of any Collateral by public auction, private tender, or private contract, with or without notice, advertising, or any other formality, all of which the Debtor hereby waives to the extent permitted by law. The Secured Party may establish the terms of disposition (including terms and conditions as to credit, upset, reserve bid, or price). The Secured Party will credit all payments made under those dispositions against the Obligations only as they are actually received. The Secured Party may buy in, rescind, or vary any contract for the disposition of Collateral and may dispose of any Collateral again without being answerable for any resulting loss. Any disposition may take place whether or not the Secured Party has taken possession of the Collateral. The exercise by the Secured Party of any power of sale does not preclude the Secured Party from any further exercise of its power of sale in accordance with this paragraph.
- (b) The Secured Party may approach a restricted number of potential purchasers to effect the sale of any Collateral constituting securities under paragraph (a) above. A sale under those circumstances may yield a lower price for Collateral than would otherwise be obtainable if that Collateral was registered and sold in the open market. The Debtor agrees that

- (i) if the Secured Party sells Collateral at a private sale or sales, the Secured Party has the right to rely upon the advice and opinion of any Person who regularly deals in or evaluates securities of the type constituting the Collateral as to the best price obtainable in a commercially reasonable manner, and
- (ii) that reliance will be conclusive evidence that the Secured Party handled that sale in a commercially reasonable manner.

6.05 Carrying on business

The Secured Party may carry on, or concur in the carrying on of, all or any part of the businesses or undertaking of the Debtor and may, to the exclusion of all others (including the Debtor), enter upon, occupy, and use any of the premises, buildings, and plant of, occupied or used by the Debtor and may use all or any of those premises and the equipment and other Collateral located on those premises (including fixtures) for whatever time and purposes as the Secured Party sees fit, free of charge. The Secured Party will not be liable to the Debtor for any act, omission, or negligence in doing so or in connection with any rent, charges, costs, depreciation, or damages in connection with that action.

6.06 Pay Liens

The Secured Party may pay any liability owed to any actual or threatened Encumbrance holder against any Collateral, and borrow money to maintain, preserve, or protect any Collateral or to carry on of the businesses or undertaking of the Debtor, and may charge and grant further security interests in any Collateral in priority to the Security Interest as security for the money so borrowed. Immediately upon demand by the Secured Party, the Debtor shall reimburse the Secured Party for all those payments and borrowings.

6.07 Dealing with Collateral

- (a) As soon as the Secured Party takes possession of any Collateral or appoints a Receiver over any Collateral, all rights of the Debtor in and to that Collateral will cease unless the Secured Party or any Receiver agrees in writing to specifically continue those rights.
- (b) The Secured Party may have, enjoy, and exercise all of the rights of and enjoyed by the Debtor in and to the Collateral or incidental, ancillary, attaching, or deriving from the ownership by the Debtor of the Collateral (including the right to
 - (i) enter into agreements and grant licences over or relating to Collateral,
 - (ii) demand, commence, continue, or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing, or obtaining possession or payment of the Collateral, (iii) grant or agree to Encumbrances and grant or reserve profits à prendre, easements, rights of ways, rights in the nature of easements, and licences over or relating to any part of the Collateral, and (iv) give valid receipts and discharges, and to compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to the Debtor).
- (c) The Secured Party may take any actions to maintain, preserve, and protect the Collateral or otherwise deal with any Collateral in the manner, upon the terms,

and at the times it deems advisable in its discretion without notice to the Debtor, except as otherwise required by applicable law (including payments on account of other security interests affecting the Collateral); provided that the Secured Party will not be required to take any of those actions or make any of those expenditures. Any of the amounts that the Secured Party pays (including reasonable legal, Receiver's, accounting, or other professional fees and expenses) will be added to the Obligations and will be secured by this agreement.

- (d) The Secured Party may accept the Collateral in satisfaction of the Obligations.
- (e) The Secured Party or any Receiver has no obligation to keep Collateral identifiable or to preserve rights against prior secured creditors in connection with any Collateral.

6.08 Powers re leases

The Secured Party may upon any sale by the Secured Party of any leasehold interest under this agreement for the purpose of vesting the one day residue of the term or its renewal in any purchase, by deed or writing appoint the purchaser or any other Person as a new trustee of the residue or renewal in place of the Debtor and may vest those rights in the new trustee so appointed free from any obligation in that Collateral.

6.09 Dealing with accounts

The Secured Party may collect, sell, or otherwise deal with accounts (including notifying any Person obligated to the Debtor in connection with an account, chattel paper, or an instrument to make payment to the Secured Party of all present and future amounts that are due).

6.10 Collect rents

The Secured Party may collect any rents, income, and profits received in connection with the business of the Debtor or the Collateral, without carrying on the business.

6.11 Dealing with securities

- (a) The Secured Party may exercise or cause to be exercised all voting rights, rights to receive dividends, interest, principal, or other payments of money attached to the securities (whether or not registered in the name of the Secured Party or its nominee), give or withhold all related consents, waivers, and ratifications, exercise any rights of conversion, exchange, subscription, or other rights, privileges, or options relating to any of the securities as if the Secured Party were the absolute owner (including the right to exchange, at its discretion, any of the securities upon the merger, consolidation, reorganization, recapitalization, or other readjustment of any issuer or upon the exercise by any issuer of any right, privilege, or option relating to any of the securities), and in doing so, to deposit or deliver any of the securities with or to any committee, depository, transfer agent, registrar, or other designated agency upon the terms and conditions it may determine.

- (b) The Secured Party may comply with any limitation or restriction in connection with any proposed sale or other disposition of the securities necessary to comply with applicable law or regulation or with any policy imposed by any stock exchange, securities commission, or other Governmental Authority. That compliance by the Secured Party will not result in the sale being considered or deemed not to have been made in a commercially reasonable manner, nor will the Secured Party be liable or accountable to the Debtor for any discount in the sale price of the securities that may be given because those securities are sold in compliance with any limitation or restriction.

6.12 Dealing with Intellectual Property

The Secured Party may register assignments of the Intellectual Property, and use, sell, assign, license, or sub-license any of the Intellectual Property.

6.13 File claims

The Secured Party may file proofs of claim and other documents in order to have the claims of the Secured Party lodged in any bankruptcy, winding-up, or other judicial proceeding relating to the Debtor or the Collateral.

6.14 Power of attorney

The Debtor shall appoint the Secured Party, acting by any officer, director, employee, agent, or representative for the time being of the Secured Party located at its address for notices in section 7.10 (Notice), to be its attorney with full power of substitution to do on the Debtor's behalf anything that the Debtor can lawfully do by an attorney (including to do, make, and execute all agreements, deeds, acts, matters, or things, with the right to use the name of the Debtor) that it deems necessary or expedient and to carry out its obligations under this agreement, to revise and schedule to this agreement and to complete any missing information in this agreement. This power of attorney, being granted by way of security and coupled with an interest, is irrevocable until the Obligations are paid in full.

6.15 Retain services

The Secured Party may retain the services of any lawyers, accountants, appraisers, and other agents, and consultants as the Secured Party reasonably deems necessary or desirable in connection with anything done or to be done by the Secured Party or with any of the rights of the Secured Party set out in this agreement and pay their commissions, fees, disbursements (including reasonable legal fees and which payments will constitute part of the Secured Party's disbursements reimbursable by the Debtor under this agreement). The Debtor shall immediately on demand reimburse the Secured Party for all those payments.

6.16 Appointment of a Receiver

- (a) The Secured Party may
 - (i) appoint, by instrument in writing, a Receiver for the Debtor, the Collateral, or both the Debtor and the Collateral, and no such Receiver need be appointed, need its appointment ratified, or need its actions in any way supervised, by a court,

- (ii) appoint an officer or employee of the Secured Party as Receiver,
 - (iii) remove any Receiver and appoint another Receiver; or
 - (iv) apply, at any time, to any court of competent jurisdiction for the appointment of a Receiver or other official, who may have powers the same as, greater or lesser than, or otherwise different from, those capable of being granted to a Receiver appointed by the Secured Party under this agreement.
- (b) If two or more Receivers are appointed to act concurrently, they will act severally and not jointly and severally.

6.17 Effect of appointment of Receiver

Any Receiver will have the rights set out in this Article 6 (Rights and Remedies). In exercising those rights, a Receiver will act as, and for all purposes will be deemed to be, the agent of the Debtor. However, the Secured Party will not be responsible for any act, omission, negligence, misconduct, or default of any Receiver.

6.18 Application of payments

The Secured Party, or any Receiver appointed by the Secured Party in the enforcement of the Security Interest, may hold all payments made in connection with the Obligations and all monies received as security for the Obligations (including each Recovery), or may apply those payments or monies in whatever manner they determine at their discretion. The Secured Party may at any time apply or change any application of those payments, monies, or Recoveries to any parts of the Obligations as the Secured Party may determine at its discretion. The Debtor will remain liable to the Secured Party for any deficiency. The Secured Party shall pay any surplus funds realized after the satisfaction of all Obligations in accordance with applicable law.

6.19 Deficiency

If the proceeds of the realization of any Collateral are insufficient to repay all Obligations, the Debtor shall immediately pay or cause to be paid the deficiency to the Secured Party.

6.20 Limitation of liability

Except for gross negligence and wilful misconduct of the Secured Party or Receiver, neither the Secured Party nor any Receiver will be liable for any negligence in accordance with any rent, charges, costs, depreciation, or damages in connection with any of its actions. Neither the Secured Party nor any Receiver will be liable or accountable to the Debtor for any failure to seize, collect, realize, dispose of, enforce, or otherwise deal with any Collateral, nor will any of them be bound to bring any action or proceeding for any of those purposes or to preserve any rights of any Person in any of the Collateral. Except for gross negligence and wilful misconduct of the Secured Party or Receiver, neither the Secured Party nor any Receiver will be liable or responsible for any claim, loss, and expense flowing from any failure resulting from any act, omission, negligence, misconduct, or default of the Secured Party, any Receiver, or any of their respective representatives or otherwise. If any Receiver or the Secured Party takes possession of any Collateral, neither the Secured Party nor any Receiver will have any liability as a mortgagee in possession of the Collateral or be accountable for anything except actual receipts.

Further, the Secured Party will not be deemed to have assumed, or be deemed to be liable for, any covenant, agreement, or other obligation of the Debtor under any agreement, right, Licence, or permit to which the Debtor is a party.

6.21 Extensions of time

The Secured Party and any Receiver may grant renewals, extensions of time, and other indulgences, take and give up Encumbrances, accept compositions, grant releases and discharges, perfect or fail to perfect any Encumbrances, release any Collateral to third parties, and otherwise deal or fail to deal with the Collateral, other Encumbrances, the Debtor, debtors of the Debtor, guarantors of the Debtor, sureties of the Debtor, and others as the Secured Party or such Receiver may see fit, all without prejudice to the Obligations and the rights of the Secured Party or any Receiver to hold and realize upon the Security Interest. However, no extension of time, forbearance, indulgence, or other accommodation will operate as a waiver, alteration, or amendment of the Secured Party's rights or otherwise preclude the Secured Party from enforcing those rights and nothing in this agreement obligates the Secured Party to extend the time for payment or satisfaction of any of the Obligations.

6.22 Secured Party or Receiver may perform

If the Debtor fails to perform any Obligations, the Secured Party or any Receiver may perform those Obligations as attorney for the Debtor in accordance with section 6.14 (Power of attorney). The rights conferred on the Secured Party and any Receiver under this agreement are for the purpose of protecting the Security Interest in the Collateral and do not impose any obligation upon the Secured Party or any Receiver to exercise any of those rights. The Debtor will remain liable under each agreement to which it is party or by which it or any of its businesses, undertaking, and properties is bound and shall perform all of its obligations under each of those agreements; the Debtor will not be released from any of its obligations under any agreement by the exercise of any rights by the Secured Party or any Receiver.

6.23 Validity of sale

No Person dealing with the Secured Party, any Receiver, or any representative of the Secured Party or any Receiver has any obligation to enquire whether the Security has become enforceable, whether any right of the Secured Party or any Receiver has become exercisable, whether any Obligations remain outstanding, or otherwise as to the propriety or regularity of any dealing by the Secured Party or any Receiver with any Collateral or to see to the application of any money paid to the Secured Party or any Receiver. In the absence of fraud on the part of any Person, those dealings will be deemed to be within the rights conferred under this agreement and to be valid and effective accordingly.

6.24 No obligation to advance

Nothing in this agreement obligates the Secured Party to make any loan or accommodation to the Debtor or to extend the time for payment or satisfaction of any Obligation.

6.25 Rights relating to Unlimited Liability Shares

Despite the terms of this Article 6 (Rights and Remedies) and section 6.16 (Appointment of a Receiver) and section 6.17 (Effect of appointment of Receiver), only the Secured Party, and not

the Receiver, will have the right to exercise the rights of a Receiver relating to Unlimited Liability Shares.

ARTICLE 7 GENERAL PROVISIONS

SCOPE

7.01 Entire agreement

This agreement together with the other Transaction Documents constitutes the entire agreement between the parties relating to its subject matter. This agreement supersedes any previous agreements and discussions between the parties. There are no representations, covenants, or other terms other than those set forth in this agreement and the other Transaction Documents.

7.02 Further assurances

Each party, upon receipt of Notice by another party, shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as may reasonably be necessary or desirable to give effect to the terms of this agreement.

7.03 Amendment

This agreement may only be amended by a written document signed by each of the parties.

7.04 Conflict of terms

In the event of any conflict or inconsistency between the provisions under this agreement and the provisions of the Credit Agreement then, notwithstanding anything contained in this agreement, the provisions contained in the Credit Agreement shall prevail and the provisions of this agreement will be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency.

PARTIES AND REPRESENTATIVES

7.05 Binding effect

This agreement shall enure to the benefit of the Secured Party and its successors and assigns and shall be binding upon the Debtor and its successors and any assigns permitted by the Secured Party, as the case may be.

7.06 Debtor's amalgamation

If the Debtor amalgamates with any other entity or entities, this agreement will continue in full force and effect and will be binding upon the amalgamated entity, and, for greater certainty

- (a) the Security Interest will (i) continue to secure all the Obligations, (ii) secure all obligations of each other amalgamating entity to the Secured Party, and (iii) secure all obligations of the amalgamated entity to the Secured Party arising after the amalgamation,

- (b) the Security Interest will (i) continue to attach to the Collateral, (ii) attach to the Collateral of each other amalgamating entity, and (iii) attach to the Collateral of the amalgamated entity after the amalgamation, and
- (c) all defined terms and other terms of this agreement will be deemed to have been amended to reflect the amalgamation, to the extent required by the context.

7.07 Assignment

The Secured Party may assign this agreement and the Obligations in whole or in part to any Person without Notice to or the consent of the Debtor. Without the prior written consent of the Secured Party, the Debtor may not assign this agreement.

7.08 No partnership

Nothing contained in this agreement will create a partnership, joint venture, principal-and-agent relationship, or any similar relationship between the parties.

7.09 No third party beneficiaries

This agreement does not confer any rights or remedies upon any Person other than the parties and their respective successors and permitted assigns.

7.10 Notice

Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Credit Agreement.

REMEDIES AND COSTS

7.11 Remedies cumulative

Except as otherwise provided in this agreement, the rights, remedies, and powers provided in this agreement to a party are cumulative and in addition to, and are not exclusive of or in substitution for, any rights, remedies, and powers otherwise available to that party.

7.12 Security in addition

This agreement and the Security Interest are in addition to and not in substitution for any other security now or later held by the Secured Party in connection with the Debtor, the Obligations, or the Collateral. The Security Interest does not replace or otherwise affect any existing or future Encumbrance held by the Secured Party. No taking of any suit, action, or proceeding, judicial or extra-judicial, no refraining from doing so, and no dealing with any other security for any Obligations will release or affect (a) the Security Interest or (b) any of the other Encumbrances held by the Secured Party for the payment or performance of the Obligations.

7.13 Non-merger

- (a) This agreement will not operate by way of a merger of the Obligations or of any guarantee, agreement, or other document or instrument by which the Obligations now, or at any time subsequently, may be represented or evidenced. Neither the taking of any judgment nor the exercise of any power of seizure or disposition will extinguish the liability of the Debtor to pay and perform the Obligations nor shall the acceptance of any payment or alternate security constitute or create any novation.
- (b) The rights, obligations, and representations and warranties, and covenants under this agreement, under any other document entered into under this agreement, and under any other Transaction Document will not merge in any judgment.

7.14 Survival

Any right of the Secured Party, and any obligation of the Debtor arising under any other agreements between the Secured Party and the Debtor, shall survive the signing, registration and advancement of any money under this agreement and no merger respecting any such right or obligation shall occur by reason of this agreement. The obligation, if any, of the Debtor to pay legal fees, a commitment fee, a standby fee or administration fees, under the terms of the Secured Party's commitment letter with the Debtor, shall survive the signing and registration of this agreement and the Secured Party's advancement of any money to the Debtor and any legal fees, commitment fees, standby fees or administration fees owing by the Debtor shall be secured by the Collateral.

7.15 Severability

The invalidity or unenforceability of any particular term of this agreement will not affect or limit the validity or enforceability of the remaining terms.

7.16 Waiver

No waiver of satisfaction of a condition or breach or non-performance of an obligation (including any Default) under this agreement is effective unless it is in writing and signed by the party granting the waiver. No waiver under this section will be deemed to extend to a subsequent occurrence, whether or not that occurrence is the same or similar to the original occurrence that was waived nor will it affect the exercise of any other rights or remedies under this agreement. Any failure or delay in exercising any right or remedy will not constitute, or be deemed to constitute, a waiver of that right or remedy. No single or partial exercise of any right or remedy will preclude any other or further exercise of any right or remedy.

7.17 Payment of costs

The Debtor shall pay all costs (including reasonable legal fees) that it and the Secured Party incur in connection with the drafting and negotiation of the transactions contemplated by this agreement, and the execution and delivery of, and the perfection (including those incurred for registration costs of any financing statement registered in connection with the Security Interest) and enforcement of the Secured Party's interest under, this agreement, which will be paid immediately upon demand and form part of the Obligations.

ENFORCEMENT

7.18 Governing law

The laws of Ontario and the laws of Canada applicable in that province, excluding any rule or principle of conflicts of law that may provide otherwise, govern this agreement.

7.19 Submission to jurisdiction

The parties irrevocably attorn to the jurisdiction of the courts of Ontario, which will have non-exclusive jurisdiction over any matter arising out of this agreement.

7.20 Judgment currency

If, for the purpose of obtaining or enforcing judgment against any party in any court in any jurisdiction, it becomes necessary to convert into a particular currency an amount due under this agreement or any other Transaction Document, the conversion will be made in accordance with the Credit Agreement.

FORMALITIES

7.21 Counterparts

This agreement may be signed in any number of counterparts, each of which is an original, and all of which taken together constitute one single document. Counterparts may be transmitted by fax or in electronically scanned form. Parties transmitting by fax or electronically shall also deliver the original counterpart to each other party, but failure to do so does not invalidate this agreement.

7.22 Copy of agreement

The Debtor acknowledges receipt of an executed copy of this agreement and copies of the verification statements relating to the financing statements or financing change statements filed by the Secured Party or its representatives under the PPSA and under the personal property security statutes of other provinces in connection with this agreement.

7.23 Effective date

This agreement is effective as of the date shown at the top of the first page, even if any signatures are made after that date.

[The remainder of this page has been intentionally left blank]

This agreement has been executed by the Debtor.

BEST MADE TOYS INTERNATIONAL, ULC

By: 

Name: Scott Johnson

Title: Chairman

[signature page to General Security Agreement]

SCHEDULE A
LOCATION OF DEBTOR AND COLLATERAL

Full Name:	Best Made Toys International, ULC
Jurisdiction of Incorporation or Formation:	British Columbia
Registered Office:	Suite 1800 – 355 Burrard Street, Vancouver, BC, V6E 2M6, Canada
Chief Executive Office:	120 St. Regis Crescent North, Toronto, ON M3J 1Z3
Places of Business:	Ontario
Locations of Records:	120 St. Regis Crescent North, Toronto, ON M3J 1Z3.

SCHEDULE B
LIST OF SECURITIES AND SECURITY ENTITLEMENTS

None.

SCHEDULE C
LIST OF INTELLECTUAL PROPERTY

None.

Tab H

THIS IS EXHIBIT "H" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME
ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

SECURITY AGREEMENT

This Security Agreement (the "*Agreement*") is dated as of May 29, 2015, among Best Made Toys LLC, a Delaware limited liability company (the "*Borrower*"), and the other parties executing this Agreement under the heading "*Debtors*" (the Borrower and such other parties, along with any parties who execute and deliver to the Secured Party referred to herein an agreement attached hereto as Schedule H, being hereinafter referred to collectively as the "*Debtors*" and individually as a "*Debtor*"), each with its mailing address as set forth in Section 12(b) hereof, and Bank of Montreal, a Canadian chartered bank, acting through its Chicago Branch (the "*Secured Party*"), with its mailing address as set forth in Section 12(b) hereof. The term "Debtor" and "Debtors" as used herein shall mean and include the Debtors collectively and also each individually, with all grants, representations, warranties and covenants of and by the Debtors, or any of them, herein contained to constitute joint and several grants, representations, warranties and covenants of and by the Debtors; *provided, however*, that unless the context in which the same is used shall otherwise require, any grant, representation, warranty or covenant contained herein related to the Collateral shall be made by each Debtor only with respect to the Collateral owned by it or represented by such Debtor as owned by it.

PRELIMINARY STATEMENT

A. The Borrower, Best Made Toys International ULC, a corporation incorporated under the laws of the Province of British Columbia, the Secured Party and Bank of Montreal have entered into a Credit Agreement dated as of May 29, 2015 (as the same may be amended or modified from time to time, including amendments and restatements thereof in its entirety, being referred to herein as the "*Credit Agreement*") pursuant to which the Secured Party may from time to time extend credit or otherwise make financial accommodations available to or for the account of the Borrower.

B. The Debtors (other than the Borrower) are subsidiaries or affiliates of the Borrower.

C. Each Debtor provides each of the other Debtors with substantial financial, management, administrative, and technical support.

D. The interdependent nature of the businesses of the Debtors is such that the viability of each Debtor is dependent upon the continued success of the other Debtors and, upon the continuation of such Debtor's business relationships with the other Debtors, and the continuation thereof necessitates the Borrower's access to credit and other financial accommodations from the Secured Party.

E. As a condition to extending credit or otherwise making financial accommodations available to or for the account of the Borrower (whether under the Credit Agreement or otherwise), the Secured Party requires, among other things, that each Debtor grant the Secured Party a security interest in such Debtor's personal property described herein subject to the terms and conditions hereof.

NOW, THEREFORE, in consideration of the benefits accruing to the Debtors, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Grant of Security Interest. Each Debtor hereby grants to the Secured Party (for the benefit of itself and as representative for the benefit of its affiliates) a lien on and security interest in, and acknowledges and agrees that, subject to Section 7(g), the Secured Party has and shall continue to have a continuing lien on and security interest in, all right, title, and interest of each Debtor, whether now owned or existing or hereafter created, acquired or arising, in and to all of the following:

- (a) Accounts (including Healthcare Insurance Receivables, if any);
- (b) Chattel Paper;
- (c) Instruments (including Promissory Notes);
- (d) Documents;
- (e) General Intangibles (including Payment Intangibles and Software, patents, trademarks, tradenames, copyrights, and all other intellectual property rights, including all applications, registration, and licenses therefor, and all goodwill of the business connected therewith or represented thereby);
- (f) Letter-of-Credit Rights;
- (g) Supporting Obligations;
- (h) Deposit Accounts;
- (i) Investment Property (including certificated and uncertificated Securities, Securities Accounts, Security Entitlements, Commodity Accounts, and Commodity Contracts);
- (j) Inventory;
- (k) Equipment (including all software, whether or not the same constitutes embedded software, used in the operation thereof);
- (l) Fixtures;
- (m) Commercial Tort Claims (as described on Schedule F hereto or on one or more supplements to this Agreement);

(n) Rights to merchandise and other Goods (including rights to returned or repossessed Goods and rights of stoppage in transit) which is represented by, arises from, or relates to any of the foregoing;

(o) Monies, personal property, and interests in personal property of such Debtor of any kind or description now held by the Secured Party or at any time hereafter transferred or delivered to, or coming into the possession, custody, or control of, the Secured Party, or any agent or affiliate of the Secured Party, whether expressly as collateral security or for any other purpose (whether for safekeeping, custody, collection or otherwise), and all dividends and distributions on or other rights in connection with any such property;

(p) Supporting evidence and documents relating to any of the above-described property, including, without limitation, computer programs, disks, tapes and related electronic data processing media, and all rights of such Debtor to retrieve the same from third parties, written applications, credit information, account cards, payment records, correspondence, delivery and installation certificates, invoice copies, delivery receipts, notes, and other evidences of indebtedness, insurance certificates and the like, together with all books of account, ledgers, and cabinets in which the same are reflected or maintained;

(q) Accessions and additions to, and substitutions and replacements of, any and all of the foregoing; and

(r) Proceeds and products of the foregoing, and all insurance of the foregoing and proceeds thereof;

all of the foregoing being herein sometimes referred to as the "*Collateral*".

Notwithstanding anything to the contrary contained in the foregoing clauses (a) through (r), the security interest created by this Agreement shall not extend to, and the term "*Collateral*" and other terms defining the components of the Collateral in the foregoing clauses (a) through (r) shall not include, any equity interests of Best Made Toys Global Enterprises Ltd., a private company incorporated with limited liability under the laws of Hong Kong with company number 2218108.

All terms which are used in this Agreement which are defined in the Uniform Commercial Code of the State of New York as in effect from time to time ("*UCC*") shall have the same meanings herein as such terms are defined in the UCC, unless this Agreement shall otherwise specifically provide. For purposes of this Agreement, the term "*Receivables*" means all rights to the payment of a monetary obligation, whether or not earned by performance, and whether evidenced by an Account, Chattel Paper, Instrument, General Intangible, or otherwise.

Section 2. Obligations Hereby Secured. The lien and security interest herein granted and provided for is made and given to secure, and shall secure, the payment and performance of (a) the Obligations now or hereafter existing under the Credit Documents, whether direct or

indirect, absolute or contingent, due or to become due, and whether now existing or hereafter arising and howsoever held, evidenced, or acquired, and whether several, joint, or joint and several, and (b) any and all expenses and charges, legal or otherwise, suffered or incurred by the Secured Party or its affiliates in collecting or enforcing any of such indebtedness, obligations, or liabilities or in realizing on or protecting or preserving any security therefor, including, without limitation, the lien and security interest granted hereby (all of the foregoing being hereinafter referred to as the "*Secured Obligations*"). Notwithstanding anything in this Agreement to the contrary, the right of recovery against any Debtor (other than the Borrower to which this limitation shall not apply) under this Agreement shall not exceed \$1.00 less than the lowest amount that would render such Debtor's obligations under this Agreement void or voidable under applicable law, including fraudulent conveyance law.

Section 3. Covenants, Agreements, Representations and Warranties. The Debtors hereby covenant and agree with, and represents and warrants to, the Secured Party that:

(a) Each Debtor is duly organized and validly existing in good standing under the laws of the jurisdiction of its organization. No Debtor shall change its jurisdiction of organization without providing the Secured Party at least 30 days' prior written notice of such Debtor's intent to do so (at which time Schedule A will be deemed amended or supplemented with such change of jurisdiction of organization). Each Debtor is the sole and lawful owner of its Collateral, and has full right, power, and authority to enter into this Agreement and to perform each and all of the matters and things herein provided for. The execution and delivery of this Agreement, and the observance and performance of each of the matters and things herein set forth, will not (i) contravene or constitute a material default under any provision of law or any judgment, injunction, order, or decree binding upon any Debtor or any provision of any Debtor's organizational documents (e.g., charter, articles or certificate of incorporation and by-laws, articles or certificate of formation and limited liability company operating agreement, partnership agreement, or other similar organizational documents) or any covenant, indenture, or agreement of or affecting any Debtor or any of its property or (ii) result in the creation or imposition of any lien or encumbrance on any property of any Debtor except for the lien and security interest granted to the Secured Party hereunder. Each Debtor's organizational registration number (if any) is set forth under its name under Column 1 on Schedule A.

(b) Each Debtor's respective chief executive office is at the location listed under Column 2 on Schedule A attached hereto opposite such Debtor's name; and such Debtor has no other executive offices or places of business other than those listed under Column 3 on *Schedule A* attached hereto opposite such Debtor's name. The Collateral owned or leased by each Debtor is and shall remain in such Debtor's possession or control at the locations listed under Columns 2 and 3 on Schedule A attached hereto opposite such Debtor's name (collectively for each Debtor, as such locations may be amended or supplemented from time to time with written notice to the Secured Party as provided below, the "*Permitted Collateral Locations*"), except for Collateral which in the ordinary course of such Debtor's business is in transit between Permitted Collateral Locations. If for any reason any Collateral is at any time kept or located at a location other than a Permitted Collateral Location, the Secured Party shall nevertheless have and

retain a lien on and security interest therein. The Debtors own and shall at all times own all Permitted Collateral Locations, except to the extent otherwise disclosed under Columns 2 and 3 on Schedule A. No Debtor shall move its chief executive office or maintain a place of business at a location other than those specified under Columns 2 or 3 on Schedule A or permit the Collateral to be located at a location other than those specified under Columns 2 or 3 on Schedule A, in each case without first providing the Secured Party 30 days' prior written notice of such Debtor's intent to do so (at which time Schedule A will be deemed amended or supplemented with such additional or modified locations); *provided* that each Debtor shall at all times maintain its chief executive office and, unless otherwise specifically agreed to in writing by the Secured Party, Permitted Collateral Locations in the United States of America and, with respect to any new chief executive office or place of business or location of Collateral, such Debtor shall have taken all action reasonably requested by the Secured Party to maintain the lien and security interest of the Secured Party in the Collateral at all times fully perfected and in full force and effect.

(c) Each Debtor's legal name and jurisdiction of organization is correctly set forth under Column 1 on Schedule A of this Agreement. No Debtor has transacted business at any time during the immediately preceding five-year period, and does not currently transact business, under any other legal names or trade names other than the prior legal names and trade names (if any) set forth on Schedule B attached hereto. No Debtor shall change its legal name or transact business under any other trade name without first giving 30 days' prior written notice of its intent to do so to the Secured Party.

(d) The Collateral and every part thereof is and shall be free and clear of all security interests, liens (including, without limitation, mechanics', laborers' and statutory liens), attachments, levies, and encumbrances of every kind, nature and description, whether voluntary or involuntary, except for the lien and security interest of the Secured Party therein and Permitted Encumbrances (as defined in the Credit Agreement). Each Debtor shall warrant and defend the Collateral against any claims and demands of all persons at any time claiming the same or any interest in the Collateral adverse to the Secured Party.

(e) To the extent the Secured Party has not exercised its rights under any account control agreement with respect to the Debtor's Deposit Accounts to bar the Debtors from directly accessing funds deposited in such Deposit Accounts, each Debtor shall promptly pay when due all taxes, assessments, and governmental charges and levies upon or against such Debtor or any of its Collateral, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings which prevent foreclosure or other realization upon any of the Collateral and preclude interference with the operation of such Debtor's business in the ordinary course, and such Debtor shall have established adequate reserves therefor.

(f) No Debtor shall use, manufacture, sell, or distribute any Collateral in violation of any statute, ordinance, or other governmental requirement. No Debtor shall waste or destroy the Collateral or any part thereof or be negligent in the care or use of any Collateral except for such actions done in the ordinary course of business. Each Debtor shall perform in all material respects its obligations under any contract or other agreement constituting part of the Collateral, it being understood and agreed that the Secured Party has no responsibility to perform such obligations.

(g) Subject to Sections 4(b), 6(b), 6(c), and 7(c) hereof and the terms of the Credit Agreement (including, without limitation, Section 10.3.1 thereof), no Debtor shall, without the Secured Party's prior written consent, sell, assign, mortgage, lease, or otherwise dispose of the Collateral or any interest therein.

(h) **[Reserved]**

(i) Each Debtor shall at all times allow the Secured Party and its representatives free access to and right of inspection of the Collateral; *provided that*, unless the Secured Party believes in good faith an Event of Default exists, any such access or inspection shall only be required during the relevant Debtor's normal business hours and shall be preceded by at least two Business Days prior written notice.

(j) If any Collateral is in the possession or control of any of any Debtor's agents or processors and the Secured Party so requests during the continuance of an Event of Default, such Debtor agrees to notify such agents or processors in writing of the Secured Party's security interest therein and instruct them to hold all such Collateral for the Secured Party's account and subject to the Secured Party's instructions. Each Debtor shall, upon the request of the Secured Party, authorize and instruct all bailees and other parties, if any, at any time processing, labeling, packaging, holding, storing, shipping, or transferring all or any part of the Collateral to permit the Secured Party and its representatives to examine and inspect any of the Collateral then in such party's possession and to verify from such party's own books and records any information concerning the Collateral or any part thereof which the Secured Party or its representatives may seek to verify. As to any premises not owned by a Debtor wherein any of the Collateral is located, the relevant Debtor shall, at the Secured Party's request, cause each party having any right, title or interest in, or lien on, any of such premises to enter into an agreement (any such agreement to contain a legal description of such premises) whereby such party disclaims any right, title and interest in, and lien on, the Collateral and allows the removal of such Collateral by the Secured Party and is otherwise in form and substance reasonably acceptable to the Secured Party (any such agreement being a "Collateral Access Agreement"). As to any premises not owned by a Debtor that is not subject to a Collateral Access Agreement, such Debtor shall at all times cause a copy of any and all books and records that constitute Collateral or that otherwise evidence or relate to such Collateral to be maintained at either (i) a premises that is subject to a Collateral Access Agreement, or (ii) at a location set forth on Schedule 9.1.12 to the Credit Agreement.

(k) Each Debtor agrees from time to time to deliver to the Secured Party such evidence of the existence, identity, and location of its Collateral and of its availability as collateral security pursuant hereto (including, without limitation, schedules describing all Receivables created or acquired by such Debtor, copies of customer invoices or the equivalent, and original shipping or delivery receipts for all merchandise and other goods sold or leased or services rendered, together with such Debtor's warranty of the genuineness thereof, and reports stating the book value of Inventory and Equipment by major category and location), in each case as the Secured Party may reasonably request. The Secured Party shall have the right to verify all or any part of the Collateral in any reasonable manner, and through any medium, which the Secured Party considers appropriate (including, without limitation, the verification of Collateral by use of a fictitious name), and each Debtor agrees to furnish all assistance and information, and perform any acts, which the Secured Party may reasonably require in connection therewith. Each Debtor shall promptly notify the Secured Party of any material Collateral that such Debtor has determined to have been rendered obsolete, stating the prior book value of such Collateral, its type and location.

(l) Each Debtor shall comply in all material respects with the terms and conditions of all leases, easements, right-of-way agreements, and other similar agreements binding upon such Debtor or affecting the Collateral or any part thereof, and all orders, ordinances, laws, and statutes of any city, state, or other governmental entity, department, or agency having jurisdiction with respect to the premises wherein such Collateral is located or the conduct of business thereon.

(m) Schedule C attached hereto contains a true, complete, and current listing of all patents, trademarks, tradestyles, copyrights, and other intellectual property rights (including all registrations and applications therefor) owned by the Debtors as of the date hereof that are registered with any governmental authority. The Debtors shall promptly notify the Secured Party in writing of any additional intellectual property rights acquired or arising after the date hereof, and shall submit to the Secured Party a supplement to Schedule C to reflect such additional rights (provided any Debtor's failure to do so shall not impair the Secured Party's security interest therein). Each Debtor owns or possesses rights to use all franchises, licenses, patents, trademarks, trade names, tradestyles, copyrights, and rights with respect to the foregoing which are required to conduct its business. No event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such rights, and the Debtors are not liable to any person for infringement under applicable law with respect to any such rights as a result of its business operations.

(n) Schedule F attached hereto contains a true, complete and current listing of all Commercial Tort Claims held by the Debtors as of the date hereof, each described by reference to the specific incident giving rise to the claim. Each Debtor agrees to execute and deliver to the Secured Party a supplement to this Agreement in the form attached hereto as Schedule G, or in such other form acceptable to the Secured Party, promptly upon becoming aware of any other Commercial Tort Claim held or maintained by such

Debtor arising after the date hereof (provided such Debtor's failure to do so shall not impair the Secured Party's security interest therein).

(o) Each Debtor agrees to execute and deliver to the Secured Party such further agreements, assignments, instruments, and documents and to do all such other things as the Secured Party may reasonably deem necessary or appropriate to assure the Secured Party its lien and security interest hereunder, including, without limitation, (i) such financing statements, and amendments thereof or supplements thereto, and such other instruments and documents as the Secured Party may from time to time reasonably require in order to comply with the UCC and any other applicable law, (ii) such agreements with respect to patents, trademarks, copyrights, and similar intellectual property rights as the Secured Party may from time to time reasonably require to comply with the filing requirements of the United States Patent and Trademark Office and the United States Copyright Office, and (iii) such control agreements with respect to all Deposit Accounts, Investment Property, Letter-of-Credit Rights, and electronic Chattel Paper, and to cause the relevant depository institutions, financial intermediaries, and issuers to execute and deliver such control agreements, as the Secured Party may from time to time reasonably require. Each Debtor hereby agrees that a carbon, photographic, or other reproduction of this Agreement or any such financing statement is sufficient for filing as a financing statement by the Secured Party without notice thereof to such Debtor wherever the Secured Party in its sole discretion desires to file the same. Each Debtor hereby authorizes the Secured Party to file any and all financing statements covering the Collateral or any part thereof as the Secured Party may require, including financing statements describing the Collateral as "all assets" or "all personal property" or words of like meaning. The Secured Party may order lien searches from time to time against each Debtor and the Collateral, and the Debtor shall promptly reimburse the Secured Party for all reasonable costs and expenses incurred in connection with such lien searches; provided, if no Event of Default has occurred and is continuing, the Debtors shall be responsible for the costs and expenses related to only one such lien search for each Debtor in any twelve (12) month period. In the event for any reason the law of any jurisdiction other than New York becomes or is applicable to the Collateral or any part thereof, or to any of the Secured Obligations, each Debtor agrees to execute and deliver all such instruments and documents and to do all such other things as the Secured Party in its sole reasonable discretion deems necessary or appropriate to preserve, protect, and enforce the lien and security interest of the Secured Party under the law of such other jurisdiction. Each Debtor agrees to mark its books and records to reflect the lien and security interest of the Secured Party in the Collateral.

(p) On failure of any Debtor to perform any of the covenants and agreements herein contained, the Secured Party may, at its option, perform the same and in so doing may expend such sums as the Secured Party may reasonably deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, liens, and encumbrances, expenditures made in defending against any adverse claims, and all other expenditures which the Secured Party may be compelled to make by operation of law or which the Secured Party may make by agreement or otherwise for the protection of the security hereof. All such sums and

amounts so expended shall be promptly repayable by the relevant Debtor, shall constitute additional Secured Obligations secured hereunder and shall bear interest from the date said amounts are expended at the rate per annum in respect of Prime Rate Advances (as defined in the Credit Agreement). No such performance of any covenant or agreement by the Secured Party on behalf of any Debtor, and no such advancement or expenditure therefor, shall relieve the Debtor of any default under the terms of this Agreement or in any way obligate the Secured Party to take any further or future action with respect thereto. The Secured Party, in making any payment hereby authorized, may do so according to any bill, statement, or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement, or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien, or title or claim. The Secured Party, in performing any act hereunder, shall be the sole judge of whether any Debtor is required to perform same under the terms of this Agreement. The Secured Party is hereby authorized to charge any account of the relevant Debtor maintained with the Secured Party for the amount of such sums and amounts so expended.

Section 4. Special Provisions Re; Receivables. (a) As of the time any Receivable owned by a Debtor becomes subject to the security interest provided for hereby, and at all times thereafter, such Debtor shall be deemed to have warranted as to each and all of such Receivables that all warranties of such Debtor set forth in this Agreement are true and correct with respect to each such Receivable; that each Receivable and all papers and documents relating thereto are genuine and in all respects what they purport to be; that each Receivable is valid and subsisting; that no such Receivable is evidenced by any Instrument or Chattel Paper unless such Instrument or Chattel Paper has theretofore been endorsed by such Debtor and delivered to the Secured Party; that no surety bond was required or given in connection with such Receivable or the contracts or purchase orders out of which the same arose; that the amount of the Receivable represented as owing is the correct amount actually and unconditionally owing, except for normal cash discounts on normal trade terms in the ordinary course of business; and that the amount of such Receivable represented as owing is not disputed and is not subject to any set-offs, credits, deductions, or countercharges other than those arising in the ordinary course of such Debtor's business which, during the continuance of an Event of Default, are disclosed to the Secured Party in writing promptly upon such Debtor becoming aware thereof. Without limiting the foregoing, if any Receivable arises out of a contract with the United States of America, or any state or political subdivision thereof, or any department, agency, or instrumentality of any of the foregoing, each Debtor agrees to notify the Secured Party and, at the Secured Party's request, execute whatever instruments and documents are required by the Secured Party in order that such Receivable shall be assigned to the Secured Party and that proper notice of such assignment shall be given under the federal Assignment of Claims Act (or any successor statute) or any similar state or local statute, as the case may be.

(b) Unless and until an Event of Default occurs and is continuing, any merchandise or other goods which are returned by a customer or account debtor or otherwise recovered may be resold by a Debtor in the ordinary course of its business as presently conducted in accordance with Section 6(b) hereof; and, during the existence and during the continuation of any Event of Default, such merchandise and other goods shall be set aside at the request of the Secured Party

and held by the relevant Debtor as trustee for the Secured Party and shall remain part of the Secured Party's Collateral. Unless and until an Event of Default occurs and is continuing, the Debtors may settle and adjust disputes and claims with its customers and account debtors, handle returns and recoveries, and grant discounts, credits, and allowances in the ordinary course of its business as presently conducted for amounts and on terms which the relevant Debtor in good faith considers advisable; and, during the existence and during the continuation of any Event of Default, at the Secured Party's request, the Debtors shall notify the Secured Party promptly of all material returns and recoveries and, on the Secured Party's request, deliver any such merchandise or other goods to the Secured Party. During the existence of any uncured Event of Default, at the Secured Party's request, the Debtor shall also notify the Secured Party promptly of all material disputes and claims and settle or adjust them at no expense to the Secured Party, but no discount, credit, or allowance other than on normal trade terms in the ordinary course of business as presently conducted shall be granted to any customer or account debtor and no returns of merchandise or other goods shall be accepted by any Debtor without the Secured Party's consent. The Secured Party may, at all times during the existence of any uncured Event of Default, settle or adjust disputes and claims directly with customers or account debtors for amounts and upon terms which the Secured Party considers advisable.

(c) Unless delivered to the Secured Party or its agent, all tangible Chattel Paper and Instruments shall contain a legend acceptable to the Secured Party indicating that such Chattel Paper or Instrument is subject to the security interest of the Secured Party contemplated by this Agreement.

Section 5. Collection of Receivables. (a) Except as otherwise provided in this Agreement, the Debtors shall make collection of all Receivables and may use the same to carry on its business in accordance with sound business practice and otherwise subject to the terms hereof.

(b) Upon the occurrence and during the continuation of any Event of Default, whether or not the Secured Party has exercised any or all of its rights under other provisions of this Section 5, in the event the Secured Party requests any Debtor to do so:

(i) all Instruments and Chattel Paper at any time constituting part of the Receivables or any other Collateral (including any postdated checks) shall, upon receipt by such Debtor, be immediately endorsed to and deposited with the Secured Party; and/or

(ii) such Debtor shall instruct all customers and account debtors to remit all payments in respect of Receivables or any other Collateral to a lockbox or lockboxes under the sole custody and control of the Secured Party and which are maintained at post office(s) in Chicago, Illinois selected by the Secured Party.

(c) Upon the occurrence and during the continuation of any Event of Default, whether or not the Secured Party has exercised any or all of its rights under other provisions of this Section 5, the Secured Party or its designee may notify the Debtors' customers and account debtors at any time that Receivables or any other Collateral have been assigned to the Secured Party or of the Secured Party's security interest therein, and either in its own name, or the

relevant Debtor's name, or both, demand, collect (including, without limitation, through a lockbox analogous to that described in Section 5(b)(ii) hereof), receive, receipt for, sue for, compound, and give acquittance for any or all amounts due or to become due on Receivables or any other Collateral, and in the Secured Party's discretion file any claim or take any other action or proceeding which the Secured Party may deem reasonably necessary or appropriate to protect or realize upon the security interest of the Secured Party in the Receivables or any other Collateral.

(d) Any proceeds of Receivables or other Collateral transmitted to or otherwise received by the Secured Party pursuant to any of the provisions of Sections 5(b) or 5(c) hereof may be handled and administered by the Secured Party in and through a remittance account at the Secured Party, and the Debtors acknowledge that the maintenance of such remittance account by the Secured Party is solely for the Secured Party's convenience and that the Debtors do not have any right, title, or interest in such remittance account. The Secured Party may, after the occurrence and during the continuation of any Event of Default, apply all or any part of any proceeds of Receivables or other Collateral received by it from any source to the payment of the Secured Obligations (whether or not then due and payable), such applications to be made in such amounts, in such manner and order and at such intervals as the Secured Party may from time to time in its discretion determine, but not less often than once each week. The Secured Party need not apply or give credit for any item included in proceeds of Receivables or other Collateral until the Secured Party has received final payment therefor at its office in cash or final solvent credits current in Chicago, Illinois, acceptable to the Secured Party as such. However, if the Secured Party does give credit for any item prior to receiving final payment therefor and the Secured Party fails to receive such final payment or an item is charged back to the Secured Party for any reason, the Secured Party may at its election in either instance charge the amount of such item back against the remittance account or any account of the relevant Debtor maintained with the Secured Party, together with interest thereon at the Default Rate. Concurrently with each transmission of any proceeds of Receivables or other Collateral to the remittance account, each Debtor shall furnish the Secured Party with a report in such form as the Secured Party shall reasonably require identifying the particular Receivable or other Collateral from which the same arises or relates. Unless and until an Event of Default shall have occurred and be continuing, the Secured Party will release proceeds of Collateral which the Secured Party has not applied to the Secured Obligations as provided above from the remittance account from time to time promptly after receipt thereof. Each Debtor hereby indemnifies the Secured Party from and against all liabilities, damages, losses, actions, claims, judgments, costs, expenses, charges and attorneys' fees suffered or incurred by the Secured Party because of the maintenance of the foregoing arrangements; *provided, however*, that no Debtor shall be required to indemnify the Secured Party for any of the foregoing to the extent they arise solely from the gross negligence, bad faith or willful misconduct of the Secured Party. The Secured Party shall have no liability or responsibility to any Debtor for accepting any check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or endorsement whatsoever or be responsible for determining the correctness of any remittance.

Section 6. Special Provisions Re: Inventory and Equipment. (a) Each Debtor shall at its own cost and expense maintain, keep and preserve the Inventory in good and merchantable condition and keep and preserve the Equipment in good repair, working order and condition,

ordinary wear and tear excepted, and, without limiting the foregoing, make all necessary and proper repairs, replacements and additions to the Equipment so that the efficiency thereof shall be fully preserved and maintained in the ordinary course of business.

(b) Each Debtor may, until an Event of Default has occurred and is continuing and thereafter until otherwise notified by the Secured Party, use, consume and sell the Inventory in the ordinary course of its business, but a sale in the ordinary course of business shall not under any circumstance include any transfer or sale in satisfaction, partial or complete, of a debt owing by such Debtor.

(c) Each Debtor may, until an Event of Default has occurred and is continuing and thereafter until otherwise notified by the Secured Party, sell or otherwise dispose of Equipment to the extent permitted by Section 10.3.1 of the Credit Agreement.

(d) As of the time any Inventory or Equipment becomes subject to the security interest provided for hereby and at all times thereafter, the relevant Debtor shall be deemed to have warranted as to any and all of such Inventory and Equipment that all warranties of such Debtor set forth in this Agreement are true and correct with respect to such Inventory and Equipment; that all of such Inventory and Equipment is located at a location set forth pursuant to Section 3(b) hereof; and that, in the case of Inventory, such Inventory is new and unused and in good and merchantable condition. Each Debtor warrants and agrees that no Inventory owned by it is or will be consigned to any other person without the Secured Party's prior written consent except as otherwise permitted by the terms of the other Credit Documents.

(e) Upon the Secured Party's request, each Debtor shall at its own cost and expense cause the lien of the Secured Party in and to any portion of the Collateral subject to a certificate of title law to be duly noted on such certificate of title or to be otherwise filed in such manner as is prescribed by law in order to perfect such lien and shall cause all such certificates of title and evidences of lien to be deposited with the Secured Party.

(f) Except for Equipment from time to time located on the real estate described on Schedule D attached hereto and as otherwise disclosed to the Secured Party in writing, none of the Equipment is or will be attached to real estate in such a manner that the same may become a fixture.

(g) If any of the Inventory is at any time evidenced by a document of title, such document shall be promptly delivered by the relevant Debtor to the Secured Party except to the extent (i) such delivery is not necessary to perfect the Secured Party's security interest on such Inventory or (ii) the Secured Party specifically requests such Debtor not to do so with respect to any such document.

Section 7. Special Provisions Re: Investment Property and Deposits. (a) Unless and until an Event of Default has occurred and is continuing and thereafter until notified to the contrary by the Secured Party pursuant to Section 9(d) hereof:

(i) the Debtors shall be entitled to exercise all voting and/or consensual powers pertaining to the Investment Property or any part thereof, for all purposes not inconsistent with the terms of this Agreement or any other document evidencing or otherwise relating to any Secured Obligations; and

(ii) the Debtors shall be entitled to receive and retain all cash dividends paid upon or in respect of the Investment Property.

(b) All Investment Property (including all securities, certificated or uncertificated, securities accounts, and commodity accounts) of the Debtors on the date hereof is listed and identified on Schedule E attached hereto and made a part hereof. Each Debtor shall promptly notify the Secured Party of any other Investment Property acquired or maintained by such Debtor after the date hereof, and shall submit to the Secured Party a supplement to Schedule E to reflect such additional rights (provided such Debtor's failure to do so shall not impair the Secured Party's security interest therein). Certificates for all certificated securities now or at any time constituting Investment Property shall be promptly delivered by the Debtors to the Secured Party duly endorsed in blank for transfer or accompanied by an appropriate assignment or assignments or an appropriate undated stock power or powers, in every case sufficient to transfer title thereto, including, without limitation, all stock received in respect of a stock dividend or resulting from a split-up, revision, or reclassification of the Investment Property or any part thereof or received in addition to, in substitution of, or in exchange for the Investment Property or any part thereof as a result of a merger, consolidation, or otherwise. With respect to any uncertificated securities or any Investment Property held by a securities intermediary, commodity intermediary, or other financial intermediary of any kind, unless the Secured Party requests otherwise, the Debtors shall execute and deliver, and shall cause any such issuer or intermediary to execute and deliver, an agreement among the relevant Debtor, the Secured Party, and such issuer or intermediary in form and substance reasonably satisfactory to the Secured Party which provides, among other things, for the intermediary's agreement that it shall comply with entitlement orders, and apply any value distributed on account of any such Investment Property, as directed by the Secured Party without further consent by any Debtor. The Secured Party may at any time, after the occurrence and during the continuation of an Event of Default, cause to be transferred into its name or the name of its nominee or nominees all or any part of the Investment Property hereunder; *provided that*, with respect to any Investment Property that constitute shares (the "*ULC Shares*") of an unlimited company existing under the laws of any province of Canada (each a "*ULC*"), such transfer shall not occur until the Secured Party gives notice to the applicable Debtor of its intention to realize upon such Investment Property.

(c) Unless and until an Event of Default, has occurred and is continuing, the Debtors may sell or otherwise dispose of any Investment Property to the extent permitted by the Credit Agreement, *provided that* no Debtor shall sell or otherwise dispose of any capital stock of or other equity interests in any direct or indirect subsidiary without the prior written consent of the Secured Party or as otherwise permitted by the Credit Agreement. After the occurrence and

during the continuation of any Event of Default, no Debtor shall sell all or any part of the Investment Property without the prior written consent of the Secured Party.

(d) The Debtors represent that on the date of this Agreement, none of the Investment Property consists of margin stock (as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System) except to the extent the Debtors have delivered to the Secured Party a duly executed and completed Form U-1 with respect to such stock. If at any time the Investment Property or any part thereof consists of margin stock, the Debtors shall promptly so notify the Secured Party and deliver to the Secured Party a duly executed and completed Form U-1 and such other instruments and documents reasonably requested by the Secured Party in form and substance reasonably satisfactory to the Secured Party.

(e) Notwithstanding anything to the contrary contained herein, in the event any Investment Property is subject to the terms of a separate security agreement in favor of the Secured Party, the terms of such separate security agreement shall govern and control unless otherwise agreed to in writing by the Secured Party.

(f) All Deposit Accounts of the Debtors on the date hereof are listed and identified (by account number and depository institution) on Schedule E attached hereto and made a part hereof. Each Debtor shall promptly notify the Secured Party of any other Deposit Account opened or maintained by such Debtor after the date hereof, and shall submit to the Secured Party a supplement to Schedule E to reflect such additional accounts (provided such Debtor's failure to do so shall not impair the Secured Party's security interest therein). With respect to any Deposit Account maintained by a depository institution other than the Secured Party, and as a condition to the establishment and maintenance of any such Deposit Account except as otherwise agreed to in writing by the Secured Party, such Debtor, the depository institution, and the Secured Party shall execute and deliver an account control agreement in form and substance reasonably satisfactory to the Secured Party which provides, among other things, for the depository institution's agreement that it will comply with instructions originated by the Secured Party directing the disposition of the funds in the Deposit Account without further consent by such Debtor; *provided*, that the Secured Party shall not send any such instruction until the occurrence and during the continuation of an Event of Default.

(g) Notwithstanding any other provision herein, in the case of a direct or indirect subsidiary of the Borrower or another Debtor that is organized under the laws of a jurisdiction other than one of the fifty states of the United States or the District of Columbia (a "Foreign Subsidiary") that is or becomes either (1) a "controlled foreign corporation" ("CFC") within the meaning of Section 957 of the Internal Revenue Code of 1986, as amended, or (2) is directly or indirectly owned by a CFC, then (i) the assets of such Foreign Subsidiary shall not constitute Collateral, and (ii) only the stock of each such entity directly owned by the Borrower or another Debtor shall be Collateral but shall be limited to 65% of the voting stock and 100% of the non-voting stock of such entity.

Section 8. Power of Attorney. In addition to any other powers of attorney contained herein, each Debtor hereby appoints the Secured Party, its nominee, and any other person whom the Secured Party may designate, as such Debtor's attorney-in-fact, with full power and authority

upon the occurrence and during the continuation of any Event of Default to sign such Debtor's name on verifications of Receivables and other Collateral; to send requests for verification of Collateral to such Debtor's customers, account debtors, and other obligors; to endorse such Debtor's name on any checks, notes, acceptances, money orders, drafts, and any other forms of payment or security that may come into the Secured Party's possession or on any assignments, stock powers, or other instruments of transfer relating to the Collateral or any part thereof; to sign such Debtor's name on any invoice or bill of lading relating to any Collateral, on claims to enforce collection of any Collateral, on notices to and drafts against customers and account debtors and other obligors; on schedules and assignments of Collateral, on notices of assignment and on public records; to notify the post office authorities to change the address for delivery of such Debtor's mail to an address designated by the Secured Party; to receive, open and dispose of all mail addressed to such Debtor; and to do all things necessary to carry out this Agreement. Each Debtor hereby ratifies and approves all acts of any such attorney and agrees that neither the Secured Party nor any such attorney will be liable for any acts or omissions or for any error of judgment or mistake of fact or law other than such person's gross negligence, bad faith or willful misconduct. The Secured Party may file one or more financing statements disclosing its security interest in any or all of the Collateral without the relevant Debtor's signature appearing thereon. Each Debtor also hereby grants the Secured Party a power of attorney to execute any such financing statements, or amendments and supplements to financing statements, on behalf of such Debtor without notice thereof to such Debtor. The foregoing powers of attorney in this Section, being coupled with an interest, are irrevocable until the Secured Obligations have been fully paid and satisfied and all agreements of the Secured Party to extend credit to or for the account of the Borrower have expired or otherwise have been terminated.

Section 9. Defaults and Remedies. (a) The occurrence of any one or more of the following events shall constitute an "Event of Default" hereunder:

(i) default in the payment when due (whether by demand, lapse of time, acceleration or otherwise) of the Secured Obligations or any part thereof; or

(ii) default in the observance or performance of any covenant set forth in Sections 5(b), 7(b), or 7(f) hereof or of any provision hereof requiring the maintenance of insurance on the Collateral or dealing with the use or remittance of proceeds of Collateral and such failure is not cured within fifteen (15) days; or

(iii) default in the observance or performance of any other provision hereof which is not remedied within 30 days after the earlier of (a) the date on which such default shall first become known to any officer of any Debtor or (b) written notice thereof is given to the Debtors by the Secured Party; or

(iv) any representation or warranty made by any Debtor herein, or in any statement or certificate furnished by it pursuant hereto, or in connection with any loan or extension of credit made to or on behalf of or at the request of any Debtor by the Secured Party, shall be false in any material respect when made; or

(v) any event shall occur or condition shall exist which is specified as an "Event of Default" under the Credit Agreement, regardless of whether or not the Credit Agreement remains in effect, or any other default shall occur in the observance or performance of any terms or provisions of any instrument or document evidencing or securing any Secured Obligations or setting forth terms and conditions applicable thereto or otherwise relating thereto in each case after giving effect to any applicable cure periods set forth therein, or this Agreement shall for any reason not be or shall cease to be in full force and effect or is declared to be null and void.

(b) Upon the occurrence and during the continuation of any Event of Default, the Secured Party shall have, in addition to all other rights provided herein or by law, the rights and remedies of a secured party under the UCC (regardless of whether the UCC is the law of the jurisdiction where the rights or remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further the Secured Party may, without demand and without advertisement, notice, hearing, or process of law, all of which the Debtors hereby waive, at any time or times, sell and deliver all or any part of the Collateral (and any other property of the Debtors attached thereto or found therein) held by or for it at public or private sale, for cash, upon credit, or otherwise, at such prices and upon such terms as the Secured Party deems advisable, in its sole discretion subject to applicable law. In addition to all other sums due the Secured Party hereunder, the Debtors shall pay the Secured Party all costs and expenses incurred by the Secured Party, including attorneys' fees and court costs, in obtaining, liquidating or enforcing payment of Collateral or the Secured Obligations or in the prosecution or defense of any action or proceeding by or against the Secured Party or any Debtor concerning any matter arising out of or connected with this Agreement or the Collateral or the Secured Obligations, including, without limitation, any of the foregoing arising in, arising under or related to a case under the United States Bankruptcy Code (or any successor statute). Any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to each Debtor in accordance with Section 12(b) hereof at least 10 days before the time of sale or other event giving rise to the requirement of such notice; *provided however*, no notification need be given to any Debtor if such Debtor has signed, after an Event of Default has occurred, a statement renouncing any right to notification of sale or other intended disposition. The Secured Party shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. The Secured Party may be the purchaser at any such sale. Each Debtor hereby waives all of its rights of redemption from any such sale. The Secured Party may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, be made at the time and place to which the sale was postponed or the Secured Party may further postpone such sale by announcement made at such time and place. The Secured Party has no obligation to prepare the Collateral for sale. The Secured Party may sell or otherwise dispose of the Collateral without giving any warranties as to the Collateral or any part thereof, including disclaimers of any warranties of title or the like, and each Debtor acknowledges and agrees that the absence of such warranties shall not render the disposition commercially unreasonable.

(c) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default, the Secured Party shall have the right, in addition to all other rights provided herein or by law, to take physical possession of any and all of the Collateral

and anything found therein, the right for that purpose to enter without legal process any premises where the Collateral may be found (provided such entry be done lawfully), and the right to maintain such possession on the relevant Debtor's premises (each Debtor hereby agreeing to lease such premises without cost or expense to the Secured Party or its designee if the Secured Party so requests for a reasonable period of time) or to remove the Collateral or any part thereof to such other places as the Secured Party may desire. Upon the occurrence and during the continuation of any Event of Default, the Secured Party shall have the right to exercise any and all rights with respect to all Deposit Accounts of each Debtor including, without limitation, the right to direct the disposition of the funds in each Deposit Account and to collect, withdraw, and receive all amounts due or to become due or payable under each such Deposit Account. Upon the occurrence and during the continuation of any Event of Default, each Debtor shall, upon the Secured Party's demand, promptly assemble the Collateral and make it available to the Secured Party at a place designated by the Secured Party. If the Secured Party exercises its right to take possession of the Collateral, the relevant Debtor shall also at its expense perform any and all other reasonable steps requested by the Secured Party to preserve and protect the security interest hereby granted in the Collateral, such as placing and maintaining signs indicating the security interest of the Secured Party, appointing overseers for the Collateral, and maintaining Collateral records.

(d) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default, all rights of each Debtor to exercise the voting and/or consensual powers which it is entitled to exercise pursuant to Section 7(a)(i) hereof and/or to receive and retain the distributions which it is entitled to receive and retain pursuant to Section 7(a)(ii) hereof, shall, at the option of the Secured Party (following the giving of notice by the Secured Party to the applicable Debtor with respect to the ULC Shares), cease and thereupon become vested in the Secured Party, which, in addition to all other rights provided herein or by law, shall then be entitled solely and exclusively to exercise all voting and other consensual powers pertaining to the Investment Property (including, without limitation, the right to deliver notice of control with respect to any Investment Property held in a securities account or commodity account and deliver all entitlement orders with respect thereto) and/or to receive and retain the distributions which any Debtor would otherwise have been authorized to retain pursuant to Section 7(a)(ii) hereof and shall then be entitled solely and exclusively to exercise any and all rights of conversion, exchange, or subscription or any other rights, privileges, or options pertaining to any Investment Property as if the Secured Party were the absolute owner thereof. Without limiting the foregoing, the Secured Party shall have the right to exchange, at its discretion, any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization, or other readjustment of the respective issuer thereof or upon the exercise by or on behalf of any such issuer or the Secured Party of any right, privilege, or option pertaining to any Investment Property and, in connection therewith, to deposit and deliver any and all of the Investment Property with any committee, depository, transfer agent, registrar, or other designated agency upon such terms and conditions as the Secured Party may determine. In the event the Secured Party in good faith believes any of the Collateral constitutes restricted securities within the meaning of any applicable securities laws, any disposition thereof in compliance with such laws shall not render the disposition commercially unreasonable.

(e) Without in any way limiting the foregoing, upon the occurrence and during the continuation of an Event of Default, each Debtor hereby grants to the Secured Party a royalty-free irrevocable license and right to use all of such Debtor's patents, patent applications, patent licenses, trademarks, trademark registrations, trademark licenses, trade names, trade styles, copyrights, copyright applications, copyright licenses, and similar intangibles in connection with any foreclosure or other realization by the Secured Party on all or any part of the Collateral. The license and right granted the Secured Party hereby shall be without any royalty or fee or charge whatsoever.

(f) The powers conferred upon the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose on it any duty to exercise such powers. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession or control if such Collateral is accorded treatment substantially equivalent to that which the Secured Party accords its own property, consisting of similar type assets, it being understood, however, that the Secured Party shall have no responsibility for ascertaining or taking any action with respect to calls, conversions, exchanges, maturities, tenders, or other matters relating to any such Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters. This Agreement constitutes an assignment of rights only and not an assignment of any duties or obligations of the Debtors, or any of them, in any way related to the Collateral, and the Secured Party shall have no duty or obligation to discharge any such duty or obligation. The Secured Party shall have no responsibility for taking any necessary steps to preserve rights against any parties with respect to any Collateral or initiating any action to protect the Collateral against the possibility of a decline in market value. Neither the Secured Party nor any party acting as attorney for the Secured Party shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law other than their gross negligence, bad faith or willful misconduct.

(g) Failure by the Secured Party to exercise any right, remedy, or option under this Agreement or any other agreement between the Debtors, or any of them, and the Secured Party or provided by law, or delay by the Secured Party in exercising the same, shall not operate as a waiver; and no waiver by the Secured Party shall be effective unless it is in writing and then only to the extent specifically stated. The rights and remedies of the Secured Party under this Agreement shall be cumulative and not exclusive of any other right or remedy which the Secured Party may have. For purposes of this Agreement, an Event of Default shall be construed as continuing after its occurrence until waived in writing by the Secured Party or cured through payment or performance.

Section 10. Application of Proceeds. The proceeds and avails of the Collateral at any time received by the Secured Party after the occurrence and during the continuation of any Event of Default shall, when received by the Secured Party in cash or its equivalent, be applied by the Secured Party as follows:

(i) first, to the payment and satisfaction of all sums paid and costs and expenses incurred by the Secured Party hereunder or otherwise in connection herewith, including such monies paid or incurred in connection with protecting, preserving or realizing upon the Collateral or enforcing any of the terms hereof, including attorneys'

fees and court costs, together with any interest thereon (but without preference or priority of principal over interest or of interest over principal), to the extent the Secured Party is not reimbursed therefor by the Debtors; and

(ii) second, to the payment and satisfaction of the remaining Secured Obligations, whether or not then due (in whatever order the Secured Party elects), both for interest and principal.

The Debtors shall remain liable to the Secured Party for any deficiency. Any surplus remaining after the full payment and satisfaction of the foregoing shall be returned to the Debtors or to whomsoever the Secured Party reasonably determines is lawfully entitled thereto.

Section 11. Continuing Agreement. This Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Secured Obligations, both for principal and interest, have been fully paid and satisfied and all agreements of the Secured Party to extend credit to or for the account of the Borrower have expired or otherwise have been terminated. Upon such termination of this Agreement as aforesaid the pledge and security interests granted hereby shall automatically terminate and all rights to the Collateral shall revert to the applicable Debtor. Upon any such termination, the Secured Party will, upon the applicable Debtor's reasonable request and at the applicable Debtor's expense, execute and deliver to such Debtor such documents as such Debtor shall reasonably request to evidence such termination.

Section 12. Miscellaneous. (a) This Agreement cannot be changed or terminated orally. All of the rights, privileges, remedies, and options given to the Secured Party hereunder shall inure to the benefit of its successors and assigns, and all the terms, conditions, covenants, agreements, representations, and warranties of and in this Agreement shall bind the Debtors and their legal representatives, successors and assigns, provided that no Debtor may assign its rights or delegate its duties hereunder without the Secured Party's prior written consent or otherwise in accordance with the terms of the Credit Agreement.

(b) Except as otherwise specified herein, all notices hereunder shall be in writing (including, without limitation, notice by telecopy) and shall be given to the relevant party at its address or telecopier number set forth below (or, if no such address is set forth below, at the address of the relevant Debtor as shown on the records of the Secured Party), or such other address or telecopier number as such party may hereafter specify by notice to the other given by courier, by United States certified or registered mail, by telecopy or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices hereunder shall be addressed:

to the Debtors at:

Best Made Toys LLC
350 West 53rd, Suite 7E
New York, NY 10019
Attention: Chief Executive Officer
Telecopy: (212) 362-1530

to the Secured Party at:

Bank of Montreal
1 First Canadian Place, 11th Floor
Toronto, Ontario M5X 1A1
Attention: Bruce Groves
Telephone: (416) 867-4060
Telecopy: (416) 643-1676

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section and a confirmation of such telecopy has been received by the sender, (ii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iii) if given by any other means, when delivered at the addresses specified in this Section 12(b).

(c) In the event and to the extent that any provision hereof shall be deemed to be invalid or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Agreement shall to such extent be construed as not containing such provision, but only as to such locations where such law or interpretation is operative, and the invalidity or unenforceability of such provision shall not affect the validity of any remaining provisions hereof, and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect. Without limiting the generality of the foregoing, in the event that this Agreement shall be deemed to be invalid or otherwise unenforceable with respect to any Debtor, such invalidity or unenforceability shall not affect the validity of this Agreement with respect to the other Debtors.

(d) The lien and security interest herein created and provided for stand as direct and primary security for the Secured Obligations of the Borrower arising under or otherwise relating to the Credit Agreement as well as for any of the other Secured Obligations secured hereby. No application of any sums received by the Secured Party in respect of the Collateral or any disposition thereof to the reduction of the Secured Obligations or any part thereof shall in any manner entitle any Debtor to any right, title or interest in or to the Secured Obligations or any collateral or security therefor, whether by subrogation or otherwise, unless and until all Secured Obligations have been fully paid and satisfied and all agreements of the Secured Party to extend credit to or for the account of each Debtor have expired or otherwise have been terminated. Each

Debtor acknowledges that the lien and security interest hereby created and provided are absolute and unconditional and shall not in any manner be affected or impaired by any acts of omissions whatsoever of the Secured Party or any other holder of any Secured Obligations, and without limiting the generality of the foregoing, the lien and security interest hereof shall not be impaired by any acceptance by the Secured Party or any other holder of any Secured Obligations of any other security for or guarantors upon any of the Secured Obligations or by any failure, neglect or omission on the part of the Secured Party or any other holder of any Secured Obligations to realize upon or protect any of the Secured Obligations or any collateral or security therefor. The lien and security interest hereof shall not in any manner be impaired or affected by (and the Secured Party, without notice to anyone, is hereby authorized to make from time to time) any sale, pledge, surrender, compromise, settlement, release, renewal, extension, indulgence, alteration, substitution, exchange, change in, modification or disposition of any of the Secured Obligations or of any collateral or security therefor, or of any guaranty thereof, or of any instrument or agreement setting forth the terms and conditions pertaining to any of the foregoing. The Secured Party may at its discretion at any time grant credit to any Debtor without notice to the other Debtors in such amounts and on such terms as the Secured Party may elect (all of such to constitute additional Secured Obligations hereby secured) without in any manner impairing the lien and security interest created and provided for herein. In order to realize hereon and to exercise the rights granted the Secured Party hereunder and under applicable law, there shall be no obligation on the part of the Secured Party or any other holder of any Secured Obligations at any time to first resort for payment to any one or more Debtors or to any guaranty of the Secured Obligations or any portion thereof or to resort to any other collateral, security, property, liens or any other rights or remedies whatsoever, and the Secured Party shall have the right to enforce this Agreement against any Debtor or any of its Collateral irrespective of whether or not other proceedings or steps seeking resort to or realization upon or from any of the foregoing are pending.

(e) In the event the Secured Party shall at any time in its discretion permit a substitution of Debtors hereunder or a party shall wish to become a Debtor hereunder, such substituted or additional Debtor shall, upon executing an agreement in the form attached hereto as Schedule H, become a party hereto and be bound by all the terms and conditions hereof to the same extent as though such Debtor had originally executed this Agreement and, in the case of a substitution, in lieu of the Debtor being replaced. Any such agreement shall contain information as to such Debtor necessary to update Schedule A, B, C, D, E, and F hereto with respect to it. No such substitution shall be effective absent the written consent of the Secured Party nor shall it in any manner affect the obligations of the other Debtors hereunder.

(f) This Agreement shall be deemed to have been made in the State of New York and shall be governed by, and construed in accordance with, the laws of the State of New York. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

(g) This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterpart signature pages, each constituting an original, but all together one and the same instrument.

(h) EACH DEBTOR AND THE SECURED PARTY HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF THE SUPREME COURT OF NEW YORK FOR THE COUNTY OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH DEBTOR AND THE SECURED PARTY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORM. THE DEBTORS AND THE SECURED PARTY EACH HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(i) The Debtors and the Secured Party agree that notwithstanding anything else contained in this Agreement or any other document or agreement among all or some of the parties hereto, each Debtor shall be the sole registered and beneficial owner of any of its Investment Property that constitutes ULC Shares, and will remain so until such time as such ULC Shares are effectively transferred into the name of the Secured Party or its nominee on the books and records of the applicable ULC. Accordingly each Debtor shall be entitled to receive and retain for its own account any cash dividend on or other cash distribution, if any, in respect of the ULC Shares and shall have the right to vote such ULC Shares and to control the direction, management and policies of the ULCs to the same extent as the Debtor would if such ULC Shares were not pledged to the Secured Party under this Agreement. Nothing in this Agreement or any other document or agreement among all or some of the parties hereto is intended to, and nothing in this Agreement or any other document or agreement among all or some of the parties hereto shall, constitute the Secured Party or any person other than a Debtor, a member of a ULC for the purposes of the *Companies Act* (Nova Scotia) or the *Business Corporation Act* (British Columbia) or any similar law of any province of Canada until such time as notice is given to the applicable Debtor registered as the holder of the ULC Shares and further steps are taken thereunder so as to register the Secured Party or its nominee as holder of any ULC Shares. To the extent any provision hereof would have the effect of constituting the Secured Party as a member prior to such time, such provision shall be severed herefrom and ineffective with respect to the ULC Shares without otherwise invalidating or rendering unenforceable this Agreement or invalidating or rendering unenforceable such provision insofar as it relates to the Investment Property which does not consist of ULC Shares. For the avoidance of all doubt, this Section 12(i) is subject to Section 7(g).

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Debtors and the Secured Party have caused this Security Agreement to be duly executed and delivered as of the date and year first above written.

BEST MADE TOYS LLC

By Scott S. Johnson
Name Scott S. Johnson
Title Chairman

BEST MADE TOYS HOLDING LLC

By Scott S. Johnson
Name Scott S. Johnson
Title Chairman

BANK OF MONTREAL, acting through its
Chicago Branch

By _____
Name _____
Title _____

IN WITNESS WHEREOF, the Debtors and the Secured Party have caused this Security Agreement to be duly executed and delivered as of the date and year first above written.

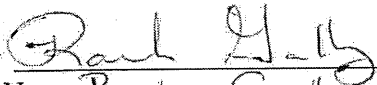
BEST MADE TOYS LLC

By _____
Name: Scott S. Johnson
Title: Chairman

BEST MADE TOYS HOLDING LLC

By _____
Name: Scott S. Johnson
Title: Chairman

BANK OF MONTREAL, acting through its
Chicago Branch

By 
Name Randon Garolley
Title Vice President

SCHEDULE A

LOCATIONS

COLUMN 1	COLUMN 2	COLUMN 3
NAME OF DEBTOR (AND STATE OF ORGANIZATION AND ORGANIZATIONAL IDENTIFICATION NUMBER)	CHIEF EXECUTIVE OFFICE (AND NAME OF RECORD OWNER OF SUCH LOCATION)	ADDITIONAL PLACES OF BUSINESS AND COLLATERAL LOCATIONS (AND NAME OF RECORD OWNER OF SUCH LOCATIONS)
Best Made Toys LLC (Delaware, 5707916)	2323 Race Street #904 Philadelphia, PA 19103 (Lessee: Larry Nusbaum)	None.
Best Made Toys Holding LLC (Delaware, 5707919)	2323 Race Street #904 Philadelphia, PA 19103 (Lessee: Larry Nusbaum)	None.

SCHEDULE B

OTHER NAMES

A. PRIOR LEGAL NAMES

None.

B. TRADE NAMES

None.

SCHEDULE C

INTELLECTUAL PROPERTY RIGHTS

None.

SCHEDULE D

REAL ESTATE LEGAL DESCRIPTIONS

None.

SCHEDULE E

INVESTMENT PROPERTY AND DEPOSITS

A. INVESTMENT PROPERTY

DEBTOR NAME	ISSUER NAME	PERCENTAGE OF OUTSTANDING SHARES
Best Made Toys LLC	Best Made Toys Holding LLC	100%
Best Made Toys LLC	Best Made Toys Global Enterprises Ltd. (Hong Kong)	100%*
Best Made Toys Holding LLC	Best Made Toys International, ULC (British Columbia)	100%**

* Excluded from the Collateral

** Subject to Section 7(g) of this Agreement.

B. DEPOSITS

Bank	Account Number	Debtor Name
BMO Harris Bank N.A.	1822295	Best Made Toys LLC
BMO Harris Bank N.A.	1822493	Best Made Toys LLC

SCHEDULE F

COMMERCIAL TORT CLAIMS

None.

SCHEDULE G

SUPPLEMENT TO SECURITY AGREEMENT

THIS SUPPLEMENT TO SECURITY AGREEMENT (the "*Supplement*") is dated as of this _____ day of _____, 20____, from _____, a(n) _____ corporation/limited liability company/partnership (the "*Debtor*"), to _____ (the "*Secured Party*").

PRELIMINARY STATEMENTS

A. The Debtor and certain affiliates of the Debtor and the Secured Party are parties to that certain Security Agreement dated as of May 29, 2015 (such Security Agreement, as the same may from time to time be amended, modified or restated, being hereinafter referred to as the "*Security Agreement*"). All capitalized terms used herein without definition shall have the same meanings herein as such terms are defined in the Security Agreement.

B. Pursuant to the Security Agreement, the Debtor granted to the Secured Party, among other things, a continuing security interest in all Commercial Tort Claims.

C. The Debtor has acquired a Commercial Tort Claim, and executes and delivers this Supplement to confirm and assure the Secured Party's security interest therein.

NOW, THEREFORE, in consideration of the benefits accruing to the Debtor, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. In order to secure payment of the Secured Obligations, whether now existing or hereafter arising, the Debtor does hereby grant to the Secured Party a continuing lien on and security interest in the Commercial Tort Claim described below:

2. Schedule F (Commercial Tort Claims) to the Security Agreement is hereby amended to include reference to the Commercial Tort Claim referred to in Section 1 above. The Commercial Tort Claim described herein is in addition to, and not in substitution or replacement for, the Commercial Tort Claims heretofore described in and subject to the Security Agreement, and nothing contained herein shall in any manner impair the priority of the liens and security interests heretofore granted by the Debtor in favor of the Secured Party under the Security Agreement.

3. The Debtor agrees to execute and deliver such further instruments and documents and do such further acts and things as the Secured Party may deem necessary or proper to carry out more effectively the purposes of this Supplement.

4. No reference to this Supplement need be made in the Security Agreement or in any other document or instrument making reference to the Security Agreement, any reference to the Security Agreement in any of such items to be deemed a reference to the Security Agreement as supplemented hereby. The Debtor acknowledges that this Supplement shall be effective upon its execution and delivery by the Debtor to the Secured Party, and it shall not be necessary for the Secured Party to execute this Supplement or any other acceptance hereof or otherwise to signify or express its acceptance hereof.

5. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to principles of conflicts of law).

[INSERT NAME OF DEBTOR]

By _____
Name _____
Title _____

SCHEDULE H

ASSUMPTION AND SUPPLEMENTAL SECURITY AGREEMENT

THIS AGREEMENT dated as of this _____ day of _____, 20____ from [new debtor], a _____ corporation/limited liability company/partnership (the "New Debtor"), to _____ (the "Secured Party").

WITNESSETH THAT:

WHEREAS, Best Made Toys LLC (the "Borrower") and certain other parties have executed and delivered to the Secured Party that certain Security Agreement dated as of May 29, 2015 (such Security Agreement, as the same may from time to time be modified or amended, including supplements thereto which add additional parties as Debtors thereunder, being hereinafter referred to as the "Security Agreement"), pursuant to which such parties (the "Existing Debtors") have granted to the Secured Party a lien on and security interest in each such Existing Debtor's Collateral (as such term is defined in the Security Agreement) to secure the Secured Obligations (as such term is defined in the Security Agreement); and

WHEREAS, the Borrower provides the New Debtor with substantial financial, managerial, administrative, technical and other support and the New Debtor will directly and substantially benefit from credit and other financial accommodations extended and to be extended by the Secured Party to the Borrower;

NOW, THEREFORE, FOR VALUE RECEIVED, and in consideration of advances made or to be made, or credit accommodations given or to be given, to the Borrower by the Secured Party from time to time, the New Debtor hereby agrees as follows:

1. The New Debtor acknowledges and agrees that it shall become a "Debtor" party to the Security Agreement effective upon the date the New Debtor's execution of this Agreement and the delivery of this Agreement to the Secured Party, and that upon such execution and delivery, all references in the Security Agreement to the terms "Debtor" or "Debtors" shall be deemed to include the New Debtor. Without limiting the generality of the foregoing, the New Debtor hereby repeats and reaffirms all grants (including the grant of a lien and security interest), covenants, agreements, representations and warranties contained in the Security Agreement as amended hereby, each and all of which are and shall remain applicable to the Collateral from time to time owned by the New Debtor or in which the New Debtor from time to time has any rights. Without limiting the foregoing, in order to secure payment of the Secured Obligations, whether now existing or hereafter arising, the New Debtor does hereby grant to the Secured Party, and hereby agrees that the Secured Party has and shall continue to have a continuing lien on and security interest in, among other things, all of the New Debtor's Collateral (as such term is defined in the Security Agreement), including, without limitation, all of the New Debtor's Accounts, Chattel Paper, Instruments, Documents, General Intangibles, Letter-of-Credit Rights, Supporting Obligations, Deposit Accounts, Investment Property, Inventory, Equipment, Fixtures,

Commercial Tort Claims, and all Proceeds thereof and all of the other Collateral described in the granting clauses of the Security Agreement, each and all of such granting clauses being incorporated herein by reference with the same force and effect as if set forth in their entirety except that all references in such clauses to the Existing Debtors or any of them shall be deemed to include references to the New Debtor. Nothing contained herein shall in any manner impair the priority of the liens and security interests heretofore granted in favor of the Secured Party under the Security Agreement.

2. Schedules A (Locations), Schedule B (Other Names), Schedule C (Intellectual Property Rights), Schedule D (Real Estate), Schedule E (Investment Property and Deposits), and Schedule F (Commercial Tort Claims) to the Security Agreement shall be supplemented by the information stated below with respect to the New Debtor:

SUPPLEMENT TO SCHEDULE A

NAME OF DEBTOR (AND STATE OF ORGANIZATION AND ORGANIZATIONAL REGISTRATION NUMBER)	CHIEF EXECUTIVE OFFICE (AND NAME OF RECORD OWNER OF SUCH LOCATION)	ADDITIONAL PLACES OF BUSINESS AND COLLATERAL LOCATIONS (AND NAME OF RECORD OWNER OF SUCH LOCATIONS)
_____	_____	_____
_____	_____	_____

SUPPLEMENT TO SCHEDULE B

NAME OF DEBTOR	PRIOR LEGAL NAMES AND TRADE NAMES OF SUCH DEBTOR
_____	_____

SUPPLEMENT TO SCHEDULE C

INTELLECTUAL PROPERTY RIGHTS

SUPPLEMENT TO SCHEDULE D

REAL ESTATE LEGAL DESCRIPTIONS

SUPPLEMENT TO SCHEDULE E

INVESTMENT PROPERTY AND DEPOSITS

SUPPLEMENT TO SCHEDULE F

COMMERCIAL TORT CLAIMS

3. The New Debtor hereby acknowledges and agrees that the Secured Obligations are secured by all of the Collateral according to, and otherwise on and subject to, the terms and conditions of the Security Agreement to the same extent and with the same force and effect as if the New Debtor had originally been one of the Existing Debtors under the Security Agreement and had originally executed the same as such an Existing Debtor.

4. All capitalized terms used in this Agreement without definition shall have the same meaning herein as such terms have in the Security Agreement, except that any reference to the term "Debtor" or "Debtors" and any provision of the Security Agreement providing meaning to such term shall be deemed a reference to the Existing Debtors and the New Debtor. Except as specifically modified hereby, all of the terms and conditions of the Security Agreement shall stand and remain unchanged and in full force and effect.

5. The New Debtor agrees to execute and deliver such further instruments and documents and do such further acts and things as the Secured Party may reasonably deem necessary or proper to carry out more effectively the purposes of this Agreement.

6. No reference to this Agreement need be made in the Security Agreement or in any other document or instrument making reference to the Security Agreement, any reference to the Security Agreement in any of such to be deemed a reference to the Security Agreement as modified hereby.

7. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to principles of conflicts of law).

[INSERT NAME OF NEW DEBTOR]

By _____
Name _____
Title _____

Accepted and agreed to as of the date first above written.

BANK OF MONTREAL

By _____
Name _____
Title _____

Tab I

THIS IS EXHIBIT "T" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME
ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

DATED: May 29, 2015

Debenture

between

Best Made Toys Global Enterprises Limited
as Chargor

Bank of Montreal
as Security Agent

Simmons & Simmons
西盟斯律師行

13th Floor One Pacific Place 88 Queensway Hong Kong
香港 金鐘道 88 號 太古廣場一座 13 字樓
T 電話 +852 2868 1131 F 傳真 +852 2810 5040 DX 225023 Wanchai

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THIS DEBENTURE is made as a Deed on May 29, 2015.

BETWEEN:

- (1) **BEST MADE TOYS GLOBAL ENTERPRISES LIMITED** (the "Chargor"), a company incorporated under the laws of Hong Kong with company number 2218108 and having its registered office at 13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong; and
- (2) **BANK OF MONTREAL**, as security agent and trustee for the benefit of the Secured Parties (as defined in the Credit Agreement, defined below) (the "Security Agent", which expression includes its successor in title and assigns and transferees).

WHEREAS:

- (A) The Finance Parties have agreed to provide to the Canadian Borrower and the U.S. Borrower certain credit facilities for such purposes as are established by the terms and conditions of the Credit Agreement.
- (B) It is a condition of the Credit Agreement that the Chargor shall enter into this Deed as security for the Secured Liabilities.
- (C) It is intended that this Deed shall take effect as a deed notwithstanding that a party may only execute this Deed under hand.
- (D) This Deed is a Credit Document.
- (E) This Deed has been granted in favour of the Security Agent as trustee for and on behalf of itself and the other Secured Parties pursuant to Article 3 of the Credit Agreement and the benefit of any rights of the Security Agent and any security taken pursuant to, or in connection with, this Deed by the Security Agent are granted to the Security Agent in such capacity.

1. Definitions and interpretation

1.1 Definitions

In this Deed:

"Account Bank" such other bank with which any Security Account is maintained from time to time;

"Acquisition Document" means Target Purchase Agreements, the Indemnity Agreement and the Transition Services Agreement;

"Assigned Assets" means the Security Assets expressed to be assigned by way of security pursuant to clause 4.2 (*Security assignments*);

"CFC" has the meaning given to it in clause 3.1;

"Charged Investments" means the Charged Securities and all present and future Related Rights accruing to all or any of the Charged Securities;

"Charged Securities" means:

- (A) the securities specified in Part 2 of Schedule 1 (*Details of Security Assets*); and
- (B) all other stocks, shares, debentures, bonds, warrants, coupons, negotiable instruments, certificates of deposit or other securities now or in future owned (legally or beneficially) by the Chargor or in which the Chargor has an interest at any time;

"Credit Agreement" means the credit agreement dated on or about the date hereof between the Canadian Borrower as Canadian borrower, the U.S. Borrower as U.S. borrower, the Security Agent as Canadian Lender and Bank of Montreal acting through its Chicago Branch as U.S. Lender (as may be amended, supplemented, restated, replaced, or otherwise modified from time to time);

"Default Rate" means the rate of interest payable determined in accordance with Articles 5.6 (*Overdue Principal and Interest*) and 5.7 (*Interest on Other Amounts*) of the Credit Agreement;

"Delegate" means a delegate or sub-delegate appointed under clause 19 (*Delegation*);

"Excluded Property" means the lease dated 29 December 2014 between Expeditors Hong Kong Limited as landlord and Best Made Toys Global Limited (or, following the transfer of such lease to the Chargor, the Chargor) as tenant in respect of the tenancy of Units 1 and 13 on 2nd Floor, South Sea Centre, No. 75 Mody Road, Kowloon, Hong Kong (as may be amended, supplemented, restated, replaced, or otherwise modified from time to time);

"Finance Parties" means the "*Lenders*" as that term is defined in the Credit Agreement;

"Foreign Subsidiary" has the meaning given to it in clause 3.1;

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"Indemnity Agreement" means the indemnity agreement Hong Kong asset purchase agreement dated on or about the date hereof between the Chargor and the U.S. Borrower (as may be amended, supplemented, restated, replaced, or otherwise modified from time to time);

"Insurances" means all policies of insurance which are at any time held by or written in favour of the Chargor, or in which the Chargor from time to time has an interest;

"Intellectual Property" means all present and future legal and/or equitable interests (including, without limitation, the benefit of all licences in any part of the world) of the Chargor in, or relating to, registered and unregistered trademarks and service marks, patents, registered designs, utility models, applications for any of the foregoing, trade names, copyrights, design rights, unregistered designs, inventions, confidential information, know-how, registrable business names, database rights, domain names and any other rights of every kind deriving from or through the exploitation of any of the aforementioned rights of the Chargor (including, without limitation, the intellectual property rights (if any) specified in Part 3 of Schedule 1 (*Details of Security Assets*));

"Ordinance" means the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);

"Party" means a party to this Deed;

"Planning Ordinances" means (1) the Antiquities and Monuments Ordinance (Cap. 53 of the Laws of Hong Kong), (2) the Building Ordinance (Cap. 123 of the Laws of Hong Kong) and Building (Planning) Regulations, (3) the Country Parks Ordinance (Cap. 208 of the Laws of Hong Kong) and Country Parks and Special Areas Regulations, (4) the Hong Kong Airport (Control of Obstructions) Ordinance (Cap. 301 of the Laws of Hong Kong), (5) the Town Planning Ordinance (Cap. 131 of the Laws of Hong Kong) and Town Planning Regulations, (6) any regulations made pursuant to any of the foregoing and (7) any other legislation of a similar nature;

"Property" means all estates and interests in freehold, leasehold and other immovable property (wherever situated) at the date of this Deed, or at any time thereafter, belonging to the Chargor, or in which the Chargor has an interest at any time (including the property specified in Part 1 of Schedule 1 (*Details of Security Assets*)), together with:

- (A) all buildings and fixtures (including trade fixtures) and fixed plant and machinery at any time thereon;
- (B) all easements, rights and agreements in respect thereof;
- (C) all proceeds of sale of that property; and
- (D) the benefit of all covenants given in respect thereof;

"Receivables" means all present and future book debts and other debts, rentals, royalties, fees, and monetary claims and all other amounts at any time recoverable or receivable by, or due or owing to, the Chargor (whether actual or contingent and whether arising under contract or in any other manner whatsoever) together with:

- (A) the benefit of all rights, guarantees, Security and remedies relating to any of the foregoing (including without limitation, negotiable instruments, indemnities, reservations of property rights, rights of tracing and unpaid vendor's liens and similar associated rights); and
- (B) all proceeds of any of the foregoing;

"Receiver" means a receiver and/or manager (and/or any other analogous person under any relevant jurisdiction, including a judicial manager, administrative receiver, administrator or provisional supervisor) appointed pursuant to this Deed in respect of the Security Assets;

"Related Rights" means, in relation to any Charged Securities:

- (A) all dividends, distributions and other income paid or payable on the relevant Charged Securities or any asset referred to in paragraph (ii) below;
- (B) all rights, monies or property accruing or offered at any time in relation to the Charged Securities whether by way of redemption, substitution, exchange, bonus or preference, under option rights or otherwise;

"Relevant Contract" means:

- (A) each Acquisition Document;
- (B) each of the agreements specified in Part 4 of Schedule 1 (*Details of Security Assets*); and
- (C) any other agreement entered or to be entered into by the Chargor in its ordinary course of business for the sale of goods or provision of services with its new customers that have not been identified as a Relevant Customer as of the date of this Deed,

together with each other agreement supplementing or amending or novating or replacing the same;

"Relevant Customer" means each of the customer of the Chargor as specified in Part 5 of Schedule 1 (*Details of Security Assets*);

"Secured Obligations" means all and any present and future obligations, liabilities and indebtedness (whether actual or contingent and whether owed jointly or severally or alone or in any other capacity whatsoever) of each present or future member of the Consolidated Group to any Secured Party of any kind and in any currency (including without limitations) under or pursuant to each or any of the Credit Documents together with all interest, commission, fees, costs, charges, expenses, and other sums incurred by the Security Agent in connection with the protection, preservation or enforcement of its respective rights including but not limited to under this Deed and the other Credit Documents or any other document evidencing or securing any such liabilities (after as well as before any demand or judgment);

"Secured Party" means a Finance Party, a receiver (including a Receiver) or receiver and manager or administrative receiver of the whole or any part of the assets which from time to time are, or are expressed to be, the subject of Transaction Security, or any delegate (including a Delegate), agent, attorney or co-trustee appointed by the Security Agent under any Transaction Security Document.

"Security" means any mortgage, charge, pledge, lien, hypothecation, assignment or other encumbrance securing or conferring any priority of payment in respect of any obligation of any person or any other agreement or arrangement having a similar effect.

"Security Account" means each:

- (A) account held by the Chargor with any bank from time to time; and
- (B) other account charged by or pursuant to this Deed;

"Security Assets" means all property and assets from time to time mortgaged, charged or assigned (or expressed to be mortgaged, charged or assigned) by or pursuant to this Deed;

"Security Period" means the period beginning on the date of this Deed and ending on the date on which:

- (A) all the Secured Obligations have been unconditionally and irrevocably paid and discharged in full and all letters of credit shall have terminated or expired; and
- (B) no Secured Party has any further commitment, obligation or liability under or pursuant to the Credit Documents;

"Subsidiary" means, in relation to any company or corporation, a company or corporation:

- (A) which is controlled, directly or indirectly, by the first mentioned company or corporation;
- (B) more than half the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or
- (C) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);

"Third Parties Ordinance" means the Contracts (Rights of Third Parties) Ordinance, Chapter 623 of the laws of Hong Kong;

"Transaction Security" means the Security created or expressed to be created pursuant to the Transaction Security Documents;

"Transaction Security Document" means the "Security" as that term is defined in the Credit Agreement; and

"Transition Services Agreement" means the transition services agreement dated on or about the date hereof and made between the U.S. Borrower, the Chargor and the Hong Kong Vendor.

1.1 Interpretation

- (A) Capitalised terms defined in the Credit Agreement have, unless otherwise defined in this Deed, the same meaning in this Deed.
- (B) The provisions of Articles 1.2 to 1.11 of the Credit Agreement apply to this Deed as though they were set out in full in this Deed except that any references to the Credit Agreement are to be construed as references to this Deed.
- (C) References to Clauses and Schedule are to be construed, unless otherwise stated, as references to Clauses and Schedule of this Deed and references to this Deed include its Schedule.
- (D) Each representation, warranty, undertaking and covenant of the Chargor is given by the Chargor to the Security Agent in its capacity as security trustee for and on behalf of and on trust for the Secured Parties on the terms of the Credit Agreement and the benefit of any rights of the Security Agent and any Security taken pursuant to, or in connection with, this Deed by the Security Agent are granted to the Security Agent in such capacity.
- (E) All of the provisions of this Deed are severable and distinct from one another and if at any time any provision is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or

enforceability of any of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

- (F) This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures (and seals, if any) on the counterparts were on a single copy of this Deed.
- (G) It is intended that this Deed shall take effect as a deed notwithstanding that a party may only execute this Deed under hand.
- (H) Any reference to "disposal" means any sale, assignment, exchange, transfer, concession, loan, lease, surrender, licence, direct or indirect reservation, waiver, compromise, release, dealing with or in or granting of any option, right of first refusal or any other right or interest whatsoever or any agreement for any of the same and "dispose" shall be construed accordingly.
- (I) Section, Clause and Schedule headings are inserted for ease of reference only.

1.2 Third party rights

Save as expressly provided to the contrary in this Deed, a person who is not a party to this Deed has no right under the Third Parties Ordinance to enforce or enjoy the benefit of any term of this Deed.

2. Covenant to pay

2.1 Covenant to pay

- (A) The Chargor, as principal obligor and not merely as surety, covenants in favour of the Security Agent that it will pay and/or discharge the Secured Obligations from time to time when they fall due.
- (B) Every payment by the Chargor of a Secured Obligation which is made to or for the benefit of a Security Party is due and payable in accordance with the Credit Document under which such sum is payable to the Security Agent shall operate in satisfaction to the same extent of the covenant contained in clause 2.1(A).

2.2 Default interest

- (A) Any amount which is not paid under this Deed when due shall bear interest (both before and after judgment and payable on demand) from the due date until the date on which such amount is unconditionally and irrevocably paid and/or discharged in full on a daily basis at the rate and in the manner agreed in the relevant Credit Document under which such amount is payable and, in the absence of such agreement, at the Default Rate from time to time.
- (B) Default interest will accrue from day to day and will be compounded at such intervals as the Security Agent (acting on the instructions of the Finance Parties) states are appropriate.

3. **Grant of security**

3.1 **Nature of security**

All Security and dispositions created or made by or pursuant to this Deed are created or made:

- (A) in favour of the Security Agent; and
- (B) as continuing security for payment of all of the Secured Obligations.

Notwithstanding any other provision herein, in the case of a direct or indirect subsidiary of the Chargor that is organized under the laws of a jurisdiction other than one of the fifty states of the United States or the District of Columbia (a "Foreign Subsidiary") that is or becomes either (1) a "controlled foreign corporation" ("CFC") within the meaning of Section 957 of the Internal Revenue Code of 1986, as amended, or (2) is directly or indirectly owned by a CFC, then (i) the assets of such entity shall not constitute collateral to secure the Secured Obligations of the Chargor, and (ii) the stock of each such entity directly owned by the Chargor shall be collateral subject to any charge or security interest created hereunder to secure the Secured Obligations but limited to 65% of the voting stock and 100% of the non-voting stock of such entity.

4. **Fixed security**

4.1 **Fixed charges**

The Chargor charges and agrees to charge as beneficial owner all the present and future right, title and interest of the Chargor in and to the following assets (excluding the Excluded Property) which are at any time owned by the Chargor, or in which the Chargor from time to time has an interest:

- (A) by way of first legal mortgage:
 - (1) the Property (if any) specified in Part 1 of Schedule 1 (*Details of Security Assets*); and
 - (2) all other Property (if any) at the date of this Deed vested in, or charged to, the Chargor (not charged by clause 4.1(A));
- (B) by way of first fixed charge:
 - (1) all other Property and all interests in Property (not charged by clause 4.1(A)); and
 - (2) all licences to enter upon or use land and the benefit of all other agreements relating to land;
- (C) by way of first fixed charge all plant and machinery (not charged under clause 4.1(A) or 4.1(B)) and the benefit of all contracts, licences and warranties relating to the same;
- (D) by way of first fixed charge:

- (1) all computers, vehicles, office equipment and other equipment (not charged by clause 4.1(C)); and
 - (2) the benefit of all contracts, licences and warranties relating to the same;
- (E) by way of:
 - (1) first fixed charge all the Charged Securities referred to in Part 2 of Schedule 1 (*Details of Security Assets*);
 - (2) first fixed charge all other Charged Securities (not charged by clause 4.1(E)(1)),

in each case, together with (1) all Related Rights from time to time accruing to those Charged Securities and (2) all rights which the Chargor may have at any time against any clearance or settlement system or any custodian in respect of any Charged Investments;
- (F) by way of first fixed charge all monies standing to the credit of the Chargor from time to time on any and all accounts with any bank, financial institution or other person, in each case, together with all interest from time to time accrued or accruing on such monies, any investment made out of such monies or account and all rights to repayment of any of the foregoing;
- (G) by way of first fixed charge:
 - (1) the Intellectual Property (if any) specified in Part 3 of Schedule 1 (*Details of Security Assets*); and
 - (2) all other Intellectual Property (if any) (not charged by clause 4.1(G)(1));
- (H) to the extent that any of the Assigned Assets are not effectively assigned under clause 4.2 (*Security assignments*), by way of first fixed charge those Assigned Assets;
- (I) by way of first fixed charge (to the extent not otherwise charged or assigned in this Deed):
 - (1) the benefit of all licences, consents, agreements and authorisations held or used in connection with the business of the Chargor or the use of any of its assets; and
 - (2) any letter of credit issued in favour of the Chargor and all bills of exchange and other negotiable instruments held by it; and
- (J) by way of first fixed charge all of the goodwill and uncalled capital of the Chargor.

4.2 Security assignments

The Chargor assigns and agrees to assign as beneficial owner absolutely (subject to a proviso for reassignment on redemption) all its present and future right, title and interest in and to:

- (A) the Relevant Contracts, all rights and remedies in connection with the Relevant Contracts and all proceeds and claims arising therefrom;

- (B) the Insurances, all claims under the Insurances and all proceeds of the Insurances;
- (C) the Charged Accounts and all monies at any time standing to the credit of the Charged Accounts, together with all interest from time to time accrued or accruing on such monies, any investment made out of such monies or account and all rights to repayment of any of the foregoing; and
- (D) all other Receivables (not otherwise assigned under clause 4.2(A), 4.2(B) or 4.2(C));

To the extent that any Assigned Asset described in clause 4.2(B) is not assignable, the assignment which that clause purports to effect shall operate as an assignment of all present and future rights and claims of the Chargor to any proceeds of the Insurances.

4.3 Notice of assignment – immediate notice

Promptly upon execution of this Deed (and promptly upon the obtaining of any Insurance, or the execution of any Relevant Contract that is a Material Contract after the date of this Deed, or the execution of any Relevant Contract with a new customer that is not identified as a Relevant Customer as at the date of this Deed in relation to the sale of goods or provision of services in its ordinary course of business after the date of this Deed that is a Material Contract, or the opening of any account by the Chargor with any bank after the date of this Deed) the Chargor shall:

- (A) in respect of each Relevant Contract that is a Material Contract:
 - (1) deliver a duly completed notice of assignment to each other party to that Relevant Contract, and use all its best endeavours to procure that each such person executes and delivers to the Security Agent an acknowledgement, in each case in the respective forms set out in Schedule 3 (*Form of notice to and acknowledgement by party to Relevant Contract*) (or in such other form as the Security Agent shall agree); and
 - (2) upon reasonable request from the Security Agent, insert the legend substantially in the form of Schedule 5 (*Form of Legends*) (or in such other form as the Security Agent shall agree) in each invoice it issues to the relevant counterparty under or in respect of such a Relevant Contract;
- (B) in respect of each of the Insurances, deliver a duly completed notice of assignment to each other party to that Insurance, and use all its best endeavours to procure that each such person executes and delivers to the Security Agent a letter of undertaking, in each case in the respective forms set out in Schedule 4 (*Form of notice to and acknowledgement by insurers*) (or in such other form as the Security Agent shall agree); and
- (C) deliver a duly completed notice to the applicable Account Bank in respect of the applicable Security Accounts and use all its best endeavours to procure that such applicable Account Bank executes and delivers to the Security Agent an acknowledgement, in each case in the respective forms set out in Schedule 2 (*Form of notice to and acknowledgement from bank operating Security Accounts*) (or in such other form as the Security Agent shall agree).

4.4 Notice of assignment – Relevant Contract that is Material Contract

Immediately upon request by the Security Agent at any time after an Event of Default which is continuing, the Chargor shall:

- (A) in respect of each Relevant Contract to which notice has not been delivered pursuant to clause 4.3(A)(1), deliver a duly completed notice of assignment to each other party to that Relevant Contract, and use all its best endeavours to procure that each such person executes and delivers to the Security Agent an acknowledgement, in each case in the respective forms set out in Schedule 3 (*Form of notice to and acknowledgement by party to Relevant Contract*) (or in such other form as the Security Agent shall agree); and
- (B) in respect of each Relevant Contract to which legend has not been inserted pursuant to clause 4.3(A)(2), upon reasonable request from the Security Agent, insert the legend substantially in the form of Schedule 5 (*Form of Legends*) (or in such other form as the Security Agent shall agree) in each invoice it issues to the relevant counterparty under or in respect of such a Relevant Contract.

4.5 Assigned Assets

The Security Agent shall not be obliged to take any steps necessary to preserve any of the Assigned Assets, or to enforce any term of the Relevant Contracts against any person, or to make any enquiries as to the nature or sufficiency of any payment received by it pursuant to this Deed.

5. Floating charge

The Chargor charges and agrees to charge by way of first floating charge all of its present and future assets and undertaking (wherever located, excluding the Excluded Property) which are not effectively charged by way of first fixed mortgage or charge or assigned pursuant to the provisions of clause 4.1 (*Fixed charges*), clause 4.2 (*Security assignments*) or any other provision of this Deed.

6. Conversion of floating charge

6.1 Conversion by notice

The Security Agent may, by written notice to the Chargor, convert the floating charge created under this Deed into a fixed charge as regards all or any of the assets of the Chargor specified in the notice if:

- (A) an Event of Default has occurred and is continuing; or
- (B) the Security Agent considers those specified assets to be in danger of being seized or sold under any form of distress, attachment, execution or other legal process or to be otherwise in jeopardy.

6.2 Automatic conversion

The floating charge created under this Deed shall (in addition to the circumstances in which the same will occur under general law) automatically convert into a fixed charge:

- (A) in relation to any Security Asset which is subject to a floating charge if:

- (1) the Chargor creates (or attempts or purports to create) any Security (other than those permitted under the Credit Agreement) on or over the relevant Security Asset without the prior consent in writing of the Security Agent; or
 - (2) any third party levies or attempts to levy any distress, execution, attachment or other legal process against any such Security Asset; and
- (B) over all the Security Assets which are subject to a floating charge if an administrator is appointed in respect of the Chargor.

6.3 Partial conversion

The giving of a notice by the Security Agent pursuant to clause 6.1 (*Conversion by notice*) in relation to any class of assets of the Chargor shall not be construed as a waiver or abandonment of the rights of the Security Agent to serve similar notices in respect of any other class of assets or of any of the other rights of the Security Agent.

7. Continuing security

7.1 Continuing security

The Security constituted by this Deed is continuing and will extend to the ultimate balance of all the Secured Obligations regardless of any intermediate payment or discharge in whole or in part. This Deed shall remain in full force and effect as a continuing security for the duration of the Security Period.

7.2 Additional and separate security

This Deed is in addition to, without prejudice to, and shall not merge with, any other right, remedy, guarantee or Security which the Security Agent (or any agent or trustee on its behalf) may at any time hold for any of the Secured Obligations.

7.3 Protective clauses

Without limiting clause 7.1, neither the liability of the Chargor nor the validity or enforceability of the obligations of the Chargor under this Deed shall be prejudiced, affected or discharged by:

- (A) the granting of any time or indulgence to any other Obligor or any other person;
- (B) any variation or modification of any other Credit Document or any other document referred to in any of them;
- (C) the invalidity or unenforceability of any obligation or liability of any Obligor under any other Credit Document to which it is a party;
- (D) any invalidity or irregularity in the execution of any Credit Document;
- (E) any deficiency in the powers of any other Obligor to enter into or perform any of its obligations under any Credit Document to which it is a party or any irregularity in the exercise thereof or any lack of authority by any person purporting to act on behalf of such Obligor;
- (F) the bankruptcy, insolvency or liquidation or limitation or any change in the constitution or status of any Obligor;

- (G) any other Credit Document, charge, guarantee or other security or right or remedy being or becoming held by or available to the Security Agent or by any of the same being or becoming wholly or partly void, voidable, unenforceable or impaired or by the Security Agent at any time releasing, refraining from enforcing, varying or in any other way dealing with any of the same or any power, right or remedy the Security Agent may now or hereafter have from or against the Chargor or any other Obligor or any other person;
- (H) any waiver, exercise, omission to exercise, compromise, renewal or release of any rights against the Chargor or any Obligor or any other person or any compromise, arrangement or settlement with any of the same; and

any act, omission, event or circumstance which would or may but for this provision operate to prejudice, affect or discharge this Deed or the liability of the Chargor hereunder.

7.4 Right to enforce

This Deed may be enforced against the Chargor without the Security Agent first having recourse to any other right, remedy, guarantee or security held by or available to it.

8. Liability of the Chargor relating to security assets

Notwithstanding anything contained in this Deed or implied to the contrary, the Chargor remains liable to observe and perform all of the conditions and obligations assumed by it in relation to the Security Assets. The Security Agent is under no obligation to perform or fulfil any such condition or obligation or make any payment in respect of any such condition or obligation.

9. Accounts

No monies at any time standing to the credit of any account (of any type and however designated) of the Chargor with the Security Agent or in which the Chargor has an interest, and no rights and benefits relating thereto, shall be capable of being assigned to any third party.

10. Undertakings by the Chargor

10.1 Security Assets generally

The Chargor will (to the extent that such obligations are not inconsistent with the terms of the Credit Documents):

- (A) duly and punctually pay all rates, rents, Taxes, and other outgoings owed by it in respect of the Security Assets (or any of them);
- (B) unless the Security Agent otherwise confirms in writing and without prejudice to clause 10.4(A), deposit with the Security Agent all deeds and documents of title relating to the Security Assets (which the Security Agent may hold throughout the Security Period).

10.2 Property matters

- (A) The Chargor will not, except with the prior written consent of the Security Agent or as expressly permitted under the Credit Agreement, confer on any person:

- (1) any lease or tenancy of any of the Property or accept a surrender of any lease or tenancy (whether independently or under any statutory power);
 - (2) any right or licence to occupy any land or buildings forming part of the Property; or
 - (3) any licence to assign or sub-let any part of the Property.
- (B) The Chargor will not carry out any development within the meaning of the Planning Ordinances in or upon any part of the Property without first obtaining permissions as may be required under or by virtue of the Planning Ordinances and, in the case of development involving a substantial change in the structure of, or a change of use of, any part of the Property, without first obtaining the written consent of the Security Agent.
- (C) The Chargor will not do, or permit to be done, anything as a result of which any lease may be liable to forfeiture or otherwise be determined.
- (D) The Chargor will notify the Security Agent immediately upon the acquisition of any estate or interest in any freehold or leasehold property.
- (E) Upon demand by the Security Agent, the Chargor will at its own expense provide the Security Agent with a report as to title of the Chargor to the Property (concerning those items which may properly be sought to be covered by a prudent mortgagee in a lawyer's report of this nature).

10.3 Dealings with and realisation of Receivables

- (A) The Chargor will:
- (1) collect all Receivables promptly in the ordinary course of trading as agent for the Security Agent and immediately upon receipt pay all monies which it may receive in respect of the Receivables into a Security Account; and
 - (2) where any Security Account is not maintained with the Security Agent, deliver to the relevant Account Bank a notice to that bank and use its reasonable endeavours to procure that the Account Bank signs and delivers to the Security Agent a letter, in each case in the respective forms set out in Schedule 2 (*Form of notice to and acknowledgement from bank operating Security Accounts*).
- (B) Following the occurrence of an Event of Default that is continuing, the Chargor shall not withdraw, attempt or be entitled to withdraw (or direct any transfer of) all or any part of the monies in any Security Account without the prior consent of the Security Agent and the Security Agent shall be entitled (in its absolute discretion) to refuse to permit any such withdrawal or transfer.
- (C) Following the occurrence of an Event of Default that is continuing, the Chargor will deal with the Receivables (both collected and uncollected) and the Security Accounts in accordance with any directions given in writing from time to time by the Security Agent and, in default of and subject to such directions, in accordance with this Deed.

- (D) The Chargor will deliver to the Security Agent such information as to the amount and nature of its Receivables as the Security Agent may from time to time require (taking into account the requirements of the Credit Documents).
- (E) If the right of the Chargor to withdraw the proceeds of any Receivables standing to the credit of a Security Account results in the charge over that Security Account being characterised as a floating charge, that will not affect the nature of any other fixed security created by any Chargor under this Deed on all its outstanding Receivables.

10.4 Charged Investments

- (A) The Chargor will immediately upon execution of this Deed or (if later), as soon as is practicable after its acquisition of any Charged Securities in certificated form, by way of security for the Secured Obligations:
 - (1) deposit with the Security Agent, or as the Security Agent may direct, all certificates and other documents of title or evidence of ownership to the Charged Securities and their Related Rights; and
 - (2) execute and deliver to the Security Agent:
 - (a) instruments of transfer in respect of the Charged Securities (executed in blank and left undated); and/or
 - (b) such other documents in form and substance satisfactory to the Security Agent as the Security Agent shall require to enable it (or its nominees) to be registered as the owner of or otherwise acquire a legal title to the Charged Securities and their Related Rights (or to pass legal title to any purchaser), including with limitation to the following documents if the Chargor owns all the issued share capital of the company the subject of all or part of the Charged Securities (the "Charged Company") except to the extent such documents are not applicable to or cannot be produced in respect of such Charged Company:
 - (i) letters of resignation of all directors of the Charged Company executed in blank and left undated;
 - (ii) a resolution of all directors of the Charged Company executed in blank and left undated to accept the directors' resignations, appoint new directors, and approve the transfer of the Charged Securities;
 - (iii) an authority from all directors of the Charged Company to complete and date the documents referred to in (1) and (2) above;
 - (iv) sold note in respect of the Charged Securities, all in form and substance satisfactory to the Security Agent; and
 - (v) irrevocable proxy irrevocably empowering the Security Agent to cast votes attributable to the Charged Securities at shareholder meetings of the Charged Company in a form satisfactory to the Security Agent.

- (B) The Chargor will promptly pay all calls or other payments which may become due in respect of the Charged Investments.

10.5 Rights in respect of Charged Investments

- (A) Until an Event of Default occurs, the Chargor shall be entitled to:
- (1) receive and retain all dividends, distributions and other monies paid on or derived from the Charged Securities; and
 - (2) exercise all voting and other rights and powers attaching to the Charged Securities, provided that it must not do so in a manner which is prejudicial to the interests of the Security Agent and/or the other Secured Parties under this Deed (including, without limitation, which has the effect of changing the terms of the Charged Securities (or any class of them) or of any Related Rights).
- (B) At any time following the occurrence of an Event of Default which is continuing, the Security Agent may:
- (1) complete the instrument(s) of transfer for the Charged Securities on behalf of the Chargor in favour of itself or such other person as it may select; and
 - (2) in case the Chargor owns all the issued share capital of the Charged Company, implement the resignations of the incumbent directors of any Charged Company and appoint the Security Agent's nominees in their stead.
- (C) At any time when any Charged Securities are registered in the name of the Security Agent or its nominee, the Security Agent will not be under any duty:
- (1) to ensure that any dividends, distributions or other monies payable in respect of those Charged Securities are duly and promptly paid or received by it or its nominee; or
 - (2) to verify that the correct amounts are paid or received; or
 - (3) to take any action in connection with the taking up of any (or any offer of any) Related Rights in respect of or in substitution for, any of those Charged Securities.

10.6 Relevant Contracts

- (A) The Chargor will not take any action which will reduce or impede recoveries in respect of any Assigned Asset.
- (B) The Chargor must immediately following the execution of a Relevant Contract with a new customer that is not identified as a Relevant Customer as at the date of this Deed in relation to the sale of goods or provision of services in its ordinary course of business, inform the Security Agent of its entry into such Relevant Contract with such new customer and the identity of such new customer.

11. Representations and warranties

11.1 Representations and warranties

The Chargor makes the representations and warranties set out in this clause 11.1 to the Security Agent and each other Secured Party:

- (A) This Deed creates the security which it purports to create and is not liable to be avoided or otherwise set aside on the liquidation or administration of the Chargor or otherwise.
- (B) The Chargor is the sole legal and beneficial owner of all of the Security Assets specifically identified in Schedule 1 (*Details of Security Assets*).
- (C) The Charged Securities are fully paid and the Charged Securities listed in Part 2 of Schedule 1 (*Details of Security Assets*) constitute the entire share capital owned by the Chargor in the relevant company.
- (D) In relation to the Property, Part 1 of Schedule 1 (*Details of Security Assets*) identifies all freehold and leasehold Properties which are beneficially owned by the Chargor at the date of this Deed, other than the Excluded Property.

11.2 Matters represented

The representations and warranties set out in clause 11.1 (*Representations and warranties*) will be deemed to be repeated by the Chargor as of the date of each request for new Advance by the Borrowers except to the extent that such representation or warranty was given in respect of a specified date or period or where on or prior to such date:

- (A) the Chargor has advised the Security Agent in writing of a variation in any such representation or warranty; and
- (B) if such variation in the opinion of the Security Agent, is material to the Property (as defined in the Credit Agreement), liabilities, affairs, business, operations, prospects or condition (financial or otherwise) of any Obligor considered as a whole or would have, or be reasonably likely to result in, a Material Adverse Effect, the Security Agent has approved such variation.

12. Power to remedy

If at any time the Chargor does not comply with any of its obligations under this Deed, the Security Agent (without prejudice to any other rights arising as a consequence of such non-compliance) shall be entitled (but not bound) to rectify that default. The Chargor irrevocably authorises the Security Agent and its employees and agents by way of security to do all such things (including entering the property of the Chargor) which are necessary or desirable to rectify that default. The exercise of the powers of the Security Agent under this clause 12 shall not render it liable as a mortgagee in possession. The Chargor shall pay to the Security Agent on demand any monies which are expended by the Security Agent in doing so.

13. When security becomes enforceable

13.1 When enforceable

The Security constituted by this Deed (and any powers implied by statute) shall become immediately enforceable upon the occurrence of an Event of Default, and for so long as such Event of Default is continuing.

13.2 Statutory powers

The power of sale and other powers conferred by sections 51 and 53 of the Ordinance (as varied or amended by this Deed) shall be immediately exercisable upon and at any time without any notice to the Chargor after the occurrence of any Event of Default, and for so long as such Event of Default is continuing.

13.3 Enforcement

After the Security constituted by this Deed has become enforceable, the Security Agent may in its absolute discretion enforce all or any part of the Security Assets in such manner as it sees fit.

14. Enforcement of security

14.1 General

For the purposes of determining when all powers implied by statute are exercisable (and not for any other purpose), the Secured Obligations are deemed to have become due and payable on the date of this Deed. Paragraph 11 in the Fourth Schedule of the Ordinance shall not apply to the Security constituted by this Deed and shall not restrict the exercise by the Security Agent of the statutory power of sale conferred on it by sections 51 and 53 of the Ordinance. The statutory powers of leasing conferred on the Security Agent are extended so as to authorise the Security Agent to lease, make agreements for leases, accept surrenders of leases and grant options as the Security Agent may think fit and without the need to comply with any provisions of the Fourth Schedule of the Ordinance.

14.2 Powers of Security Agent

(A) At any time after the Security constituted by this Deed becomes enforceable, the Security Agent may:

- (1) (or if so requested by the Chargor by written notice at any time may) without further notice appoint any person (or persons) to be a Receiver of all or any part of the Security Assets and/or of the income of the Security Assets; and/or
- (2) appoint or apply for the appointment of any person who is appropriately qualified as administrator of the Chargor; and/or
- (3) exercise all or any of the powers conferred on mortgagees by the Ordinance (as varied or extended by this Deed) and/or all or any of the powers which are conferred by this Deed on a Receiver, in each case without first appointing a Receiver or notwithstanding the appointment of any Receiver; and/or

- (4) exercise (in the name of the Chargor and without any further consent or authority of the Chargor) any voting rights and any powers or rights which may be exercised by the person(s) in whose name the Charged Investments are registered, or who is the holder of any of them, or otherwise (including all the powers given to trustees by sections 11(4) and 11(5) of the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong) in respect of securities or property subject to a trust).

14.3 Redemption of prior mortgages

At any time after the Security constituted by this Deed has become enforceable, the Security Agent may:

- (A) redeem any prior Security against any Security Asset; and/or
- (B) procure the transfer of that Security to itself; and/or
- (C) settle and pass the accounts of the holder of any prior Security and any accounts so settled and passed shall be conclusive and binding on the Chargor.

All principal, interest, costs, charges and expenses of and incidental to any such redemption and/or transfer shall be paid by the Chargor to the Security Agent on demand.

14.4 Privileges

Each Receiver and the Security Agent is entitled to all the rights, powers, privileges and immunities conferred by the Ordinance on mortgagees and receivers when such receivers have been duly appointed under the Ordinance.

14.5 No liability

- (A) Neither the Security Agent nor any Receiver shall be liable (1) in respect of all or any part of the Security Assets or (2) for any loss or damage which arises out of the exercise or the attempted or purported exercise of, or the failure to exercise any of, its or his respective powers.
- (B) Without prejudice to the generality of clause 14.5(A), neither the Security Agent nor any Receiver will be liable, by reason of entering into possession of a Security Asset, to account as mortgagee in possession or for any loss on realisation or for any default or omission for which a mortgagee in possession might be liable.

14.6 Protection of third parties

No person (including a purchaser) dealing with the Security Agent or a Receiver or its or his agents will be concerned to enquire:

- (A) whether the Secured Obligations have become payable; or
- (B) whether any power which the Security Agent or the Receiver is purporting to exercise has become exercisable; or
- (C) whether any money remains due under the Credit Documents (or any of them); or
- (D) how any money paid to the Security Agent or to the Receiver is to be applied.

15. **Receiver**

15.1 **Removal and replacement**

The Security Agent may from time to time remove any Receiver appointed by it and, whenever it may deem appropriate, may appoint a new Receiver in the place of any Receiver whose appointment has terminated.

15.2 **Multiple Receivers**

If at any time there is more than one Receiver of all or any part of the Security Assets and/or the income of the Security Assets, such persons shall have power to act individually (unless otherwise stated in the appointment document).

15.3 **Remuneration**

Any Receiver shall be entitled to remuneration for his services at a rate to be fixed by agreement between him and the Security Agent (or, failing such agreement, to be fixed by the Security Agent).

15.4 **Payment by Receiver**

Only monies actually paid by a Receiver to the Security Agent in satisfaction or discharge of the Secured Obligations shall be capable of being applied by the Security Agent in satisfaction of the Secured Obligations.

15.5 **Agent of Chargor**

Any Receiver appointed shall be the agent of the Chargor. The Chargor shall be solely responsible for his acts and defaults and for the payment of his remuneration. The Security Agent shall not incur any liability (either to the Chargor or to any other person) by reason of the appointment of a Receiver or for any other reason.

15.6 **Security Agent may exercise**

To the fullest extent permitted by law, all or any of the powers, authorities and discretions which are conferred by this Deed (either expressly or impliedly) upon a Receiver of the Security Assets may be exercised after the security hereby created becomes enforceable by the Security Agent in relation to the whole of such Security Assets or any part thereof without first appointing a Receiver of such property or any part thereof or notwithstanding the appointment of a Receiver of such property or any part thereof.

16. **Powers of receiver**

16.1 **General powers**

Any Receiver shall have (1) all the powers which are conferred by the Ordinance on mortgagees in possession and receivers appointed under the Ordinance, (2) all powers which are conferred by any other law conferring power on receivers.

16.2 **Additional powers**

In addition to the powers referred to in clause 16.1 (*General powers*), a Receiver shall have the following powers:

- (A) to take possession of, collect and get in all or any part of the Security Assets and/or income in respect of which he was appointed and for such purposes to demand and recover all income accruing on or in respect of the Security Assets by action, distress or in such other manner as the Receiver may consider appropriate;
- (B) to manage or concur in managing the Security Assets and manage, carry or concur in managing or carrying on the business of the Chargor as he thinks fit;
- (C) to redeem any security and to borrow or raise any money and secure the payment of any money in priority to the Secured Obligations for the purpose of the exercise of his powers and/or defraying any costs or liabilities incurred by him in such exercise and no person lending that money is concerned to enquire as to the propriety or purpose of the exercise of that power or to check the application of any money so raised or borrowed;
- (D) to sell or concur in selling, leasing or otherwise disposing of all or any part of the Security Assets in respect of which he was appointed in any manner and on terms which he thinks proper. Fixtures may be severed and sold separately from the Property containing them, without the consent of the Chargor. The consideration for any such transaction may consist of cash, debentures or other obligations, shares, stock or other valuable consideration (and the amount of such consideration may be dependent upon profit or turnover or be determined by a third party). Any such consideration may be payable in a lump sum or by instalments spread over such period as he thinks fit;
- (E) to alter, improve, develop, complete, construct, modify, refurbish or repair any building or land and to do all other acts which the Chargor might do in the ordinary conduct of its business as well for protection as for the improvement of any Security Asset and to complete or undertake or concur in the completion or undertaking (with or without modification) of any project in which the Chargor was concerned or interested prior to his appointment (being a project for the alteration, improvement, development, completion, construction, modification, refurbishment or repair of any building or land) and for these purposes to appoint and enter into contracts with building and engineering contractors or other contractors and professional advisers as he may think fit;
- (F) to carry out any sale, lease or other disposal of all or any part of the Security Assets by conveying, transferring, assigning or leasing the same in the name of the Chargor and, for that purpose, to enter into covenants and other contractual obligations in the name of, and so as to bind, the Chargor;
- (G) to take any such proceedings (in the name of the Chargor or otherwise) as he shall think fit in respect of the Security Assets and/or income in respect of which he was appointed (including proceedings for recovery of rent or other monies in arrears at the date of his appointment);
- (H) to enter into or make any such agreement, arrangement or compromise as he shall think fit;
- (I) to insure, and to renew any insurances in respect of, the Security Assets as he shall think fit (or as the Security Agent shall direct);
- (J) to appoint and employ such managers, officers and workmen and engage such professional advisers as he shall think fit (including, without prejudice to the generality of the foregoing power, to employ his partners and firm);

- (K) to form one or more Subsidiaries of the Chargor, and to transfer to any such Subsidiary all or any part of the Security Assets;
- (L) to operate any rent review clause in respect of any Property in respect of which he was appointed (or any part thereof) and to apply for any new or extended lease; to purchase or acquire land and purchase, acquire or grant any interest in or right over land as he thinks fit. No person selling such land is concerned to enquire as to the propriety or purpose of the exercise of that power;
- (M) to negotiate for compensation with any authority which may intend to acquire or be in the process of acquiring the Security Assets or any part thereof and make objections to any order for the acquisition of the Security Assets or any part thereof and represent the Chargor at any enquiry to be held to consider such objections or otherwise relevant to such an acquisition as he may think fit;
- (N) to appoint and discharge, managers, officers, agents, advisers, accountants, servants, workmen, contractors, surveyors, architects, lawyers and others for the purposes of this Deed upon such terms as to remuneration or otherwise as he may think proper and discharge any such persons appointed by the Chargor and the costs incurred by the Receiver in carrying out such acts or doing such things shall be reimbursed to the Receiver by the Chargor on demand on a full indemnity basis and until so reimbursed shall carry interest at the Default Rate;
- (O) to accept a surrender of any lease or tenancy of any Security Asset on any terms which he thinks fit (including the payment of money to a lessee or tenant on a surrender);
- (P) to delegate his powers in accordance with clause 19 (*delegation*);
- (Q) to exercise or permit the Chargor or any nominees of the Chargor to exercise any rights incidental to the ownership of the Security Assets in such manner as he may think fit and in particular any voting rights conferred by any Charged Securities and/or Related Rights and any rights to call up all or any portion of the uncalled capital of the Chargor;
- (R) to call any meeting of the members or directors of the Chargor in order to consider such resolutions or other business as he may think fit;
- (S) to obtain or grant all consents as he shall in his absolute discretion think fit;
- (T) in the exercise of the power of sale in relation to the Property, to enter into any deed of mutual covenant, management agreement or grant of any rights, easement or privileges as he shall think fit and to enter into such deeds, contracts, stipulations and agreements and to execute and do all such assurances and things as it may deem expedient or necessary;
- (U) to have access to and make use of the premises and the accounting and other records of the Chargor and the services of its staff for all or any of the above purposes;
- (V) to purchase or acquire all materials for use in connection with the exercise of his powers under this Deed upon such terms and condition as he may in any case think fit;

- (W) to require the Chargor, its managers, agents, officers, servants, solicitors, accountants, architects, surveyors, quantity surveyors, estate agents and others to deliver to the Receiver and/or the Security Agent all agreements, documents, plans, drawings, specifications, papers and information whatsoever in their possession which the Receiver may in his absolute discretion require to manage or dispose of the Security Assets and generally to give instructions to any of the same;
- (X) to arrange for or provide all services, including, but not limited to, lighting, air-conditioning, heating and cleaning, considered appropriate for the efficient use or management of buildings or other premises comprised in the Security Assets; and
- (Y) to:
 - (1) give valid receipts for all monies and to do all such other things as may seem to him to be incidental or conducive to any other power vested in him or necessary or desirable for the realisation of any Security Assets;
 - (2) do all other acts and things which he may consider desirable or necessary for realising any Security Asset or incidental or conducive to any of the rights, powers or discretions conferred on a Receiver under or by virtue of this Deed;
 - (3) exercise in relation to the Security Assets (or any part of them) all such powers and rights as he would be capable of exercising if he were the absolute beneficial owner of the Security Assets; and
 - (4) use the name of the Chargor for any of the above purposes.

17. Application of proceeds

17.1 Application

All monies received by the Security Agent or any Receiver after the Security constituted by this Deed has become enforceable shall be applied in the following order:

- (A) **first**, in satisfaction of, or provision for, all costs, charges and expenses incurred, and payments made by the Security Agent or any Receiver and of all remuneration due to the Receiver in connection with this Deed or the Security Assets;
- (B) **secondly**, in or towards the satisfaction of the remaining Secured Obligations (including, without limitation, cash collateral for outstanding letters of credit); and
- (C) **thirdly**, in payment of any surplus to the Chargor or other person entitled to it.

17.2 Contingencies

If the Security constituted by this Deed is enforced at a time when no amounts are due under the Credit Documents (but at a time when amounts may become so due), the Security Agent or a Receiver may pay the proceeds of any recoveries effected by it into a blocked interest bearing suspense account.

18. **Consolidation of accounts and set-off**

18.1 **General**

The Security Agent and each other Secured Party may (but shall not be obliged to) set off any obligation which is due and payable by the Chargor under the Credit Documents and unpaid against any obligation (whether or not matured) owed by the Security Agent or such other Secured Party to the Chargor, regardless of the place of payment, booking branch or currency of either obligation.

19. **Delegation**

Each of the Security Agent and any Receiver may delegate, by power of attorney (or in any other manner) to any person, any right, power or discretion exercisable by them under this Deed upon any terms (including power to sub-delegate) which it may think fit. Neither the Security Agent nor any Receiver will be in any way liable or responsible to the Chargor for any loss or liability arising from any act, default, omission or misconduct on the part of any such delegate or sub-delegate.

20. **Further assurances**

20.1 **Further action**

The Chargor shall, at its own expense, promptly take whatever action the Security Agent or a Receiver may require for:

- (A) creating, perfecting or protecting the security intended to be created by this Deed; and
- (B) facilitating the realisation of any Security Asset or the exercise of any right, power or discretion exercisable by the Security Agent or any Receiver or any of its or their delegates or sub-delegates in respect of any Security Asset,

including the execution of any transfer, conveyance, assignment or assurance of any property whether to the Security Agent or to its nominees, and the giving of any notice, order or direction and the making of any registration, which in any such case, the Security Agent may think expedient.

20.2 **Specific security**

Without prejudice to the generality of clause 20.1 (*Further action*), the Chargor will forthwith at the request of the Security Agent execute a legal mortgage, charge, assignment, assignation or other security over all or any of the Security Assets which are subject to or intended to be subject to any fixed security created by this Deed in favour of the Security Agent (including for the avoidance of doubt, any arising or intended to arise pursuant to clause 6 (*Conversion of floating charge*)) in such form as the Security Agent may require.

21. **Power of attorney**

The Chargor, by way of security, irrevocably and severally appoints the Security Agent, each Receiver and any of their delegates or sub-delegates to be its attorney to take any action which the Chargor is obliged to take under this Deed, including under clause 20 (*Further assurances*). The Chargor ratifies and confirms whatever any attorney does or purports to do pursuant to its appointment under this clause.

- (A) The exercise of the powers of the Security Agent under this clause 21 shall not render it liable as a mortgagee in possession.
- (B) The Chargor shall pay to the Security Agent on demand any monies which are expended by the Security Agent in doing so.

The Chargor ratifies and confirms whatever any attorney does or purports to do pursuant to its appointment under this Clause 21. The power of attorney created pursuant to this clause is granted irrevocably and for value to secure proprietary interests of and the performance of the obligations owed by the Chargor within the meaning of section 4 of the Powers of Attorney Ordinance (Cap.31 of the Laws of Hong Kong).

22. **Payments**

22.1 **Payments**

Subject to Article 8 (*Place of Payment of Principal, Interest and Fees*) of the Credit Agreement, all payments to be made by the Chargor in respect of this Deed must be made:

- (A) in immediately available funds to the credit of such account as the Security Agent may designate; and
- (B) free and clear of, and without any deduction for, or on account of, any set-off or counterclaim or, except to the extent compelled by law, any deduction on account of any Taxes.

23. **Stamp duty**

The Chargor shall:

- (A) pay all present and future stamp, registration and similar Taxes or charges which may be payable, or determined to be payable, in connection with the execution, delivery, performance or enforcement of this Deed, or any judgment given in connection therewith; and
- (B) indemnify the Security Agent and any Receiver on demand against any and all costs, losses or liabilities (including, without limitation, penalties) with respect to, or resulting from, its delay or omission to pay any such stamp, registration and similar Taxes or charges.

24. **Costs and expenses**

24.1 **Costs and Expenses**

This Deed is a Credit Document and Article 13.1 (*Costs and Expenses*) of the Credit Agreement is incorporated into this Deed and shall apply *mutatis mutandis* as if set out in full.

25. **Currencies**

All monies received or held by the Security Agent or any Receiver under this Deed may be converted from their existing currency into such other currency as the Security Agent or the Receiver considers necessary or desirable to cover the obligations and liabilities comprised in the Secured Obligations in that other currency. The Chargor shall indemnify

the Security Agent against all costs, charges and expenses incurred in relation to such conversion. Neither the Security Agent nor any Receiver shall have any liability to the Chargor in respect of any loss resulting from any fluctuation in exchange rates after any such conversion.

26. **Indemnity**

The Chargor shall indemnify the Security Agent, any other Secured Party, any Receiver and any attorney, agent or other person appointed by the Security Agent under this Deed and the Security Agent's officers and employees (each an "Indemnified Party") on demand against any cost, loss, liability or expense (however arising) incurred by any of the Indemnified Parties as a result of or in connection with:

- (A) anything done or omitted in the exercise or purported exercise of the powers contained in this Deed;
- (B) the Security Assets or the use or occupation of them by any person; or
- (C) any breach by the Chargor of any of its obligations under this Deed.

27. **Miscellaneous**

27.1 **Appropriation and suspense account**

- (A) The Security Agent may apply all payments received for the Secured Obligations in reduction of any part of the Secured Obligations in accordance with the Credit Agreement. Any such appropriation shall override any appropriation by the Chargor.
- (B) All monies received, recovered or realised by the Security Agent under, or in connection with, this Deed may at the discretion of the Security Agent be credited to a separate interest bearing suspense account for so long as the Security Agent determines (with interest accruing thereon at such rate, if any, as the Security Agent may determine for the account of the Chargor) without the Security Agent having any obligation to apply the same or any part thereof in or towards the discharge of any of the Secured Obligations.

27.2 **New Accounts**

- (A) If the Security Agent or any other Secured Party receives, or is deemed to be affected by, notice, whether actual or constructive, of any subsequent Security (other than those permitted under the Credit Agreement) affecting any Security Asset and/or the proceeds of sale of any Security Asset, it may open a new account or accounts for the Chargor. If it does not open a new account, it shall nevertheless be treated as if it had in fact done so at the time when it received or was deemed to have received such notice.
- (B) As from that time, all payments made to the Security Agent or such other Secured Party will be credited or be treated as having been credited to the new account and will not operate to reduce any amount of the Secured Obligations.

27.3 Non-competition

- (A) Until the Secured Obligations have been irrevocably paid in full, the Chargor shall not, after a claim has been made or by virtue of any payment or performance by it under this Deed:
- (1) be subrogated to any rights, security or moneys held, received or receivable by the Security Agent or be entitled to any right of contribution or indemnity in respect of any payment made or moneys received on account of the Chargor's liability under this Deed;
 - (2) claim, rank, prove or vote as a creditor of any other Obligor or the Consolidated Group or its estate in competition with the Security Agent unless the Security Agent so directs in which case it shall;
 - (3) receive, claim or have the benefit of any payment, distribution or security from or on account of any other Obligor or the Consolidated Group, or exercise any right of set-off as against any other Obligor or the Consolidated Group;
 - (4) hold any security from any other Obligor or member of the Consolidated Group in respect of the Chargor's liability under this Deed,
- unless the Security Agent otherwise directs.
- (B) The Chargor shall hold in trust for and forthwith pay or transfer to the Security Agent any payment or distribution or benefit of security received by it contrary to clause 27.3(A) or as directed by the Security Agent.

27.4 Security held by Chargor

The Chargor will not without the prior written consent of the Security Agent hold any security from any other Obligor in respect of the Chargor's liability hereunder. The Chargor will hold any security held by it in breach of this provision on trust for the Security Agent.

27.5 Assignment

- (A) The Chargor may not assign any of its rights under this Deed.
- (B) The Security Agent may assign or transfer all or any part of its rights under this Deed pursuant to the resignation or removal of the Security Agent in accordance with the terms of the Credit Agreement. The Chargor will, immediately upon being requested to do so by the Security Agent, enter into such documents as may be necessary or desirable to effect such assignment or transfer.

27.6 Memorandum and articles

The Chargor certifies that the Security constituted or purported to be constituted by this Deed does not contravene any of the provisions of the memorandum or articles of association of the Chargor.

27.7 Tacking

The Security Agent shall perform its obligations, if any, under the Credit Documents.

27.8 Amendments and waivers

Any provision of this Deed may be amended only if the Security Agent and the Chargor so agree in writing and any breach of this Deed may be waived before or after it occurs only if the Security Agent so agrees in writing. A waiver given or consent granted by the Security Agent under this Deed will be effective only if given in writing and then only in the instance and for the purpose for which it is given. A waiver given or consent granted by the Security Agent to the Chargor under the terms of the Credit Agreement shall also be effective under this Deed insofar as it relates to corresponding obligations imposed under the terms of this Deed.

27.9 Calculations and certificates

A certificate of the Security Agent specifying the amount of any Secured Obligations due from the Chargor (including details of any relevant calculation thereof) shall be *prima facie* evidence of such amount against the Chargor.

27.10 Waiver, rights and remedies

No failure to exercise, nor any delay in exercising, on the part of the Security Agent, any right or remedy under this Deed shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise, or the exercise of any other right or remedy. The rights and remedies provided are cumulative and not exclusive of any rights or remedies provided by law.

28. Notices

Article 16.2 (*Notices*) of the Credit Agreement is incorporated into this Deed and shall apply *mutatis mutandis* to any notice, communication or demand to be given under this Deed or in connection with the matters contemplated by it.

29. Release

29.1 Release

Upon the expiry of the Security Period (but not otherwise) the Security Agent shall, at the request and cost of the Chargor, take whatever action is necessary to release or re-assign (without recourse or warranty) the Security Assets from the Security constituted by this Deed.

29.2 Reinstatement

Where any discharge (whether in respect of the obligations of the Chargor or any security for those obligations or otherwise) is made in whole or in part or any arrangement is made on the faith of any payment, security or other disposition which is avoided or must be restored on insolvency, liquidation or otherwise (without limitation), the liability of the Chargor under this Deed shall continue as if the discharge or arrangement had not occurred. The Security Agent may concede or compromise any claim that any payment, security or other disposition is liable to avoidance or restoration.

30. **Governing law and Jurisdiction**

30.1 **Governing law**

This Deed and the rights and obligations of the Parties shall be governed by and construed in accordance with the laws of Hong Kong.

30.2 **Jurisdiction**

- (A) The courts of Hong Kong have exclusive jurisdiction to settle any dispute and to entertain any suit, action or proceedings arising out of or in connection with this Deed (including a dispute regarding the existence, validity or termination of this Deed) (a "Dispute").
- (B) The parties agree that the courts of Hong Kong are the most appropriate and convenient courts to settle Disputes and accordingly no party will argue to the contrary.
- (C) This Clause 30.2 is for the benefit of the Security Agent only. As a result, the Security Agent shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Security Agent may take concurrent proceedings in any number of jurisdictions.

30.3 **Immunity**

To the extent that the Chargor may be entitled in any jurisdiction to claim for itself or its assets immunity from any suit, jurisdiction of any court, execution, enforcement, attachment (whether provisional or final, in aid of execution, before judgment or otherwise), relief by way of injunction or order for specific performance or recovery of property, or other legal process or to the extent that in any jurisdiction such immunity (whether or not claimed) may be attributed to it or its assets, it irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction.

IN WITNESS of which this Deed has been duly executed by the Chargor as a deed and duly executed by the Security Agent and has been delivered on the date written at the beginning of this Deed.

SCHEDULE 1 : DETAILS OF SECURITY ASSETS**PART 1 : PROPERTY**

Chargor	Description
N/A	N/A

PART 2 : CHARGED SECURITIES

Chargor	Name of company in which shares are held	Class of shares held	Number of shares held	Issued share capital
N/A	N/A	N/A	N/A	N/A

PART 3 : INTELLECTUAL PROPERTY

1. Common law trademark rights to the BEST MADE TOYS & Design logo (with representation of poodle holding umbrella)
2. Rights in all intellectual property associated with template documents used in the business.
3. Licensed rights to access and use software.

PART 4 : RELEVANT CONTRACTS

Date of Relevant Contract	Parties	Details of Relevant Contract
N/A	N/A	N/A

PART 5 RELEVANT CUSTOMERS

N/A

PART 6 : INSURANCES

Insurer	Policy No	Insured Risks	Date of Policy
Liberty Mutual Insurance Company		1. Products and/or completed operations 2. Personal injury	30 April 2015

**SCHEDULE 2 : FORM OF NOTICE TO AND ACKNOWLEDGEMENT FROM BANK
OPERATING SECURITY ACCOUNTS**

To: **[insert name and address of Account Bank]**

Dated: [•]

Dear Sirs,

Re: Account Holder: Best Made Toys Global Enterprises Limited (the "Chargor")

Security Account Nos: [insert number] (the "Security Account[s]")

Account Branch: [insert branch address]

We give notice that, by a debenture dated [DATE] (the "Debenture"), we have charged to Bank of Montreal (the "Security Agent") as security agent and trustee for the benefit of the Secured Parties (as defined therein) all our present and future right, title and interest in and to:

1. the Security Accounts, all monies from time to time standing to the credit of the Security Accounts and all additions to or renewals or replacements thereof (in whatever currency); and
2. all monies standing to the credit of any other accounts from time to time maintained with you by the Chargor,

(together the "Charged Accounts") and to all interest from time to time accrued or accruing on the Charged Accounts, any investment made out of any such monies or account and all rights to repayment of any of the foregoing by you.

The Security Agent, by its countersignature of this notice, agrees that the Chargor may continue to withdraw monies from any Charged Accounts, and until you receive notice from the Security Agent that it or you may no longer do so. The Security Agent may by notice to you at any time amend or withdraw this consent.

We irrevocably authorise and instruct you from time to time following a notice from the Security Agent that the security under the Debenture has become enforceable:

- (A) unless the Security Agent so authorises you in writing, not to permit withdrawals from the Security Accounts;
- (B) to hold all monies from time to time standing to the credit of the Charged Accounts to the order of the Security Agent;
- (C) to pay all or any part of the monies standing to the credit of the Charged Accounts to the Security Agent (or as it may direct) promptly following receipt of written instructions from the Security Agent to that effect; and

- (D) to disclose to the Security Agent such information relating to the Chargor and the Charged Accounts as the Security Agent may from time to time request you to provide.

We agree that you are not bound to enquire whether the right of the Security Agent to withdraw any monies from any Charged Account has arisen or be concerned with (1) the propriety or regularity of the exercise of that right or (2) notice to the contrary or (3) to be responsible for the application of any monies received by the Security Agent.

The provisions of this notice may only be revoked or amended with the prior written consent of the Security Agent.

Please confirm by completing the enclosed copy of this notice and returning it to the Security Agent (with a copy to us) that:

- (A) you agree to act in accordance with the provisions of this notice;
- (B) you have not, at the date this notice is returned to the Security Agent, received notice of any assignment or charge of or claim to the monies standing to the credit of any of the Charged Accounts or the grant of any security or other interest over those monies in favour of any third party and you will notify the Security Agent promptly if you should do so in the future; and
- (C) you will not in the future exercise any right to combine accounts or any rights of set-off or lien or any similar rights in relation to the monies standing to the credit of the Charged Accounts.

This notice (and any acknowledgement) shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region.

Yours faithfully,

for and on behalf of
Best Made Toys Global Enterprises Limited

Countersigned by

for and on behalf of
Bank of Montreal

[On copy]

To: **Bank of Montreal**

as Security Agent

First Canadian Place
100 King St. W., 11th Floor
Toronto, Ontario M5X 1A1

Attention: Bruce Groves

Copy to: **Best Made Toys Global Enterprises Limited**

We acknowledge receipt of the above notice. We confirm and agree:

- (A) that the matters referred to in it do not conflict with the terms which apply to any Charged Account; and
- (B) the matters set out in paragraphs (i) to (iii) in the above notice.

for and on behalf of
[Insert name of Account Bank]

Dated: [•]

**SCHEDULE 3 : FORM OF NOTICE TO AND ACKNOWLEDGEMENT BY PARTY TO
RELEVANT CONTRACT**

To: *[Insert name and address of relevant party]*

Dated: [•]

Dear Sirs,

Re: *[describe Relevant Contract]* dated *[DATE]* between (1) you and *[specify parties]* and (2) Best Made Toys Global Enterprises Limited (the "Chargor") (the "Agreement[s]")

We give notice that, by a debenture dated *[DATE]* (the "Debenture"), the Chargor has assigned to Bank of Montreal (the "Security Agent") as security agent and trustee for the benefit of the Secured Parties (as defined therein) all its present and future right, title and interest in and to *[insert details of Relevant Contract]* (together with any other agreement supplementing or amending the same, the "Agreement") including all rights and remedies in connection with the Agreement and all proceeds and claims arising from the Agreement.

We irrevocably authorise and instruct you from time to time following a notice from the Security Agent that the security under the Debenture has become enforceable:

- (A) to disclose to the Security Agent without any reference to or further authority from us (and without any enquiry by you as to the justification for such disclosure), such information relating to the Agreement as the Security Agent may at any time and from time to time request;
- (B) to hold all sums from time to time due and payable by you to us under the Agreement to the order of the Security Agent;
- (C) to pay or release all or any part of the sums from time to time due and payable by you to the Chargor under the Agreement only in accordance with the written instructions given to you by the Security Agent from time to time;
- (D) to comply with the terms of any written notice or instructions in any way relating to, or purporting to relate to, the Debenture, the sums payable to the Chargor from time to time under the Agreement or the debts represented thereby which you receive at any time from the Security Agent without any reference to or further authority from us and without any enquiry by you as to the justification for or validity of such notice or instruction; and
- (E) to send copies of all notices and other information under the Agreement to the Security Agent.

Following a notice from the Security Agent that the security under the Debenture has become enforceable, we are not permitted to receive from you, otherwise than through the Security Agent, any amount in respect of or on account of the sums payable to us from time to time under the Agreement or to agree any amendment or supplement to, or waive any obligation under, the Agreement without the prior written consent of the Security Agent.

The provisions of this notice may only be revoked or amended with the prior written consent of the Security Agent.

Please confirm your agreement to the above by completing the enclosed copy of this notice and returning it to the Security Agent (with a copy to us) that:

- (A) you accept the instructions and authorisations contained in this notice and you undertake to act in accordance with and comply with the terms of this notice;
- (B) you have not, at the date this notice is returned to the Security Agent, received notice of the assignment or charge or the grant of any security or other interest of any third party in or to the Agreement or any proceeds thereof and you will notify the Security Agent promptly if you should do so in future;
- (C) you will not exercise any right to terminate the Agreement or take any action to amend or supplement the Agreement without the prior written consent of the Security Agent.

This notice (and any acknowledgement) shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region.

Yours faithfully,

For itself and on behalf of
Best Made Toys Global Enterprises Limited

[On copy]

To: Bank of Montreal
as Security Agent

First Canadian Place
100 King St. W., 11th Floor
Toronto, Ontario M5X 1A1

Attention: Bruce Groves

Copy to: Best Made Toys Global Enterprises Limited

Dear Sirs,

We acknowledge receipt of the above notice and consent and agree to its terms. We confirm and agree to the matters set out in paragraphs (i) to (iv) in the above notice.

For on behalf of [name of relevant party]

DATED:[•]

SCHEDULE 4 : FORM OF NOTICE TO AND ACKNOWLEDGEMENT BY INSURERS

To: [insert name and address of Insurer]

Dated: [•]

Dear Sirs

Under a debenture (the "Debenture") dated [•] and made between (inter alia) (1) the Chargor (as defined therein) and (2) Bank of Montreal (the "Security Agent") as security agent and trustee for the benefit of the Secured Parties (as defined therein) we give you notice that we have assigned to the Security Agent on the terms set out in the Debenture all our right, title and interest in and to the following insurance policies ("Insurances"):

Policy No. : [•]

Policy No. : [•]

We irrevocably authorise and instruct you (notwithstanding any previous instructions which we may have given to the contrary) as follows:

- (A) to disclose to the Security Agent any information relating to the Insurances as the Security Agent may from time to time request you to provide;
- (B) to comply with the terms of any written notice, statement or instructions in any way relating to or purporting to relate to any of the Insurances; and
- (C) to pay all moneys becoming due and payable in respect of the Insurances to the Security Agent in accordance with its instructions following a notice from the Security Agent that the security under the Debenture has become enforceable.

Please confirm by completing the enclosed copy of this notice and returning it to the Security Agent that:

- (A) you agree to act in accordance with the provisions of this notice;
- (B) you have not, at the date this notice is returned to the Security Agent, received any notice that any third party has or will have any right, title or interest in or will be making any claim or demand or taking any action against the Insurances;
- (C) if you become aware at any time that any person or entity has or will have a right, title or interest in or to the Insurances, you will as soon as practicable give written notice of the terms of that right, title or interest, claim, demand or action to the Security Agent; and
- (D) you acknowledge that the terms of the Insurances may not be amended, varied or cancelled and no waiver granted in relation to them without the consent of the Security Agent.

This letter shall be governed and construed in accordance with the laws of the Hong Kong Administrative Region.

Yours faithfully

for and on behalf of
Best Made Toys Global Enterprises Limited

[On Copy]

To: Bank of Montreal

First Canadian Place
100 King St. W., 11th Floor
Toronto, Ontario M5X 1A1

Attention: Bruce Groves

We hereby acknowledge receipt of the above notice and confirm the matters set out in paragraphs (a) to (d) above.

for and on behalf of
[insert name and address of Insurer]

Dated: [•]

SCHEDULE 5 : FORM OF LEGENDS

As is customary under secured lending arrangements, we hereby give notice to you that, under a debenture dated [•] and made between (1) Best Made Toys Global Enterprises Limited and (2) Bank of Montreal (the "Security Agent") as security agent and trustee for the benefit of the Secured Parties (as defined therein), we have assigned (by way of security) in favour of the Security Agent all our rights of the agreement between us for the supply of goods and subject of this invoice (including, without limitation, our rights in respect of the amounts payable to us under this invoice).

Please pay all moneys payable by you to us under this invoice to our account no. *[insert account number of security account]* with *[insert bank where security account is opened with]*.

THE CHARGOR

EXECUTED and DELIVERED
as a DEED by

**BEST MADE TOYS GLOBAL
ENTERPRISES LIMITED**
acting by:

SCOTT S. JOHNSON

, a director

and

LARRY V. NUSBAUM

, a director

Scate

SCOTT S. JOHNSON
Director

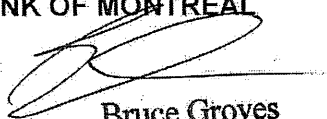
Ly VM

LARRY V. NUSBAUM
Director

THE SECURITY AGENT

Signed for and on behalf of
BANK OF MONTREAL

By:



Bruce Groves
Managing Director

Tab J

THIS IS EXHIBIT "J" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

RUN NUMBER : 107
RUN DATE : 2019/04/17
ID : 20190417094902.90

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 1
(4091)

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE
OF THE PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM IN RESPECT OF THE FOLLOWING:

TYPE OF SEARCH : BUSINESS DEBTOR

SEARCH CONDUCTED ON : BEST MADE TOYS INTERNATIONAL, ULC

FILE CURRENCY : 16APR 2019

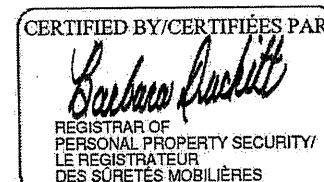
ENQUIRY NUMBER 20190417094902.90 CONTAINS 4 PAGE(S), 1 FAMILY(IES).

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS WHICH SET OUT A BUSINESS DEBTOR NAME
WHICH IS SIMILAR TO THE NAME IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE OTHER
SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

BORDEN LADNER GERVAIS LLP - BOX 15
22 ADELAIDE ST. WEST, STE. 3400
TORONTO ON M5H 4E3

CONTINUED...

2



(crfj4 11/2017)



RUN NUMBER : 107
RUN DATE : 2019/04/17
ID : 20190417094902.90

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 2
(4092)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : BEST MADE TOYS INTERNATIONAL, ULC
FILE CURRENCY : 16APR 2019

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER
706239666

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	001	2		20150520 1009 1590 5871	P PPSA	6

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR

NAME

BUSINESS NAME

BEST MADE TOYS INTERNATIONAL, ULC

ONTARIO CORPORATION NO.

ADDRESS

120 ST. REGIS CRESCENT

TORONTO

ON M3J 1Z3

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR

NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

SECURED PARTY /
LIEN CLAIMANT

BANK OF MONTREAL

ADDRESS

FIRST CANADIAN PLACE, 100 KING STREET

TORONTO

ON M5X 1A1

COLLATERAL CLASSIFICATION

CONSUMER	GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY	OR	NO FIXED MATURITY DATE
	X	X	X	X	X	X				

YEAR MAKE

MODEL

V.I.N.

MOTOR

VEHICLE

GENERAL

COLLATERAL

DESCRIPTION

REGISTERING
AGENT

CASSELS BROCK & BLACKWELL LLP (PUTERMAN/33336-347/OD)

ADDRESS

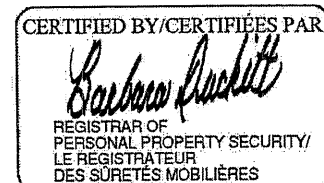
2100-40 KING STREET WEST

TORONTO

ON M5H 3C2

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 3



(ej1ft 11/2017)



RUN NUMBER : 107
RUN DATE : 2019/04/17
ID : 20190417094902.90

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 3
(4093)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : BEST MADE TOYS INTERNATIONAL, ULC
FILE CURRENCY : 16APR 2019

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER
706239666

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	002	2		20150520 1009 1590 5871		

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

SECURED PARTY / LIEN CLAIMANT

ADDRESS WEST, 11TH FLOOR

COLLATERAL CLASSIFICATION				MOTOR VEHICLE	AMOUNT	DATE OF	NO FIXED
CONSUMER	GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	INCLUDED	MATURITY OR MATURITY DATE

YEAR	MAKE	MODEL	V.I.N.
------	------	-------	--------

MOTOR VEHICLE

GENERAL COLLATERAL DESCRIPTION

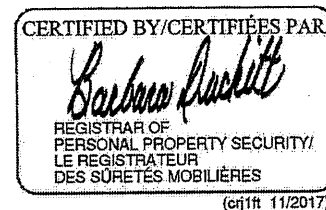
REGISTERING AGENT

ADDRESS

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY ***

CONTINUED...

4



RUN NUMBER : 107
RUN DATE : 2019/04/17
ID : 20190417094902.90

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

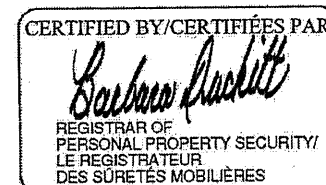
REPORT : PSSR060
PAGE : 4
(4094)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : BEST MADE TOYS INTERNATIONAL, ULC
FILE CURRENCY : 16APR 2019

INFORMATION RELATING TO THE REGISTRATIONS LISTED BELOW IS ATTACHED HERETO.

FILE NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER
706239666	20150520	1009	1590	5871

1 REGISTRATION(S) ARE REPORTED IN THIS ENQUIRY RESPONSE.



(orf)4 11/2017)



Tab K

THIS IS EXHIBIT "K" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

BC OnLine: PPRS SEA
For: PK53137 LEGAL LINK

Search Criteria: BEST MADE TOYS INTERNATIONAL, ULC

Reg. Date: MAY 20, 2015	Reg. Length: 6 YEARS
Reg. Time: 07:10:52	Expiry Date: MAY 20, 2021
Base Reg. #: 610933I	Control #: D3089821

S0001 Secured Party: BANK OF MONTREAL
FIRST CANADIAN PLACE, 100 KING
TORONTO ON M5X 1A1

General Collateral:
ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR

Party: CASSELS BROCK & BLACKWELL LLP
(PUTERMAN/33336-347/OD)
2100-40 KING STREET WEST
TORONTO ON M5H 3C2

Some, but not all, tax liens and other Crown claims are registered at the Personal Property Registry (PPR) and if registered, will be displayed on this search result. HOWEVER, it is possible that a particular chattel is subject to a Crown claim that is not registered at the PPR. Please consult the Miscellaneous Registrations Act, 1992 for more details. If you are concerned that a particular chattel may be subject to a Crown claim not registered at the PPR, please consult the agency administering the type of Crown claim.

[illegible]

Tab L

THIS IS EXHIBIT "L" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.



CT Lien Solutions

a Wolters Kluwer Business

Search Results

GREG PEALER
Chapman & Cutler
111 W Monroe Street
Chicago, IL 60603

Date: 04/18/2019
Order #: 69432747
Customer #: 506065
Reference 1: 4265955
Reference 2: --

Target Name: BEST MADE TOYS LLC

Jurisdiction: Secretary of State, Delaware

Search Type: Federal Tax Lien

Results: No Records Found /See Attached Certified Search

Searched Through: 04/15/2019

Searched: 10 Years

Search Type: UCC Lien

Results: See Attached Certified Search with 1 Copy Attached

Searched Through: 04/15/2019

Searched: 5 Years

JOHN D. CUNNINGHAM
Chicago Team 1
208 S. LaSalle Street
Suite 814
Chicago, IL 60604
(888) 829-5817 EXT:3586
John.Cunningham@wolterskluwer.com

This report contains information compiled from sources which CT Lien Solutions considers reliable but does not control. The information provided is not a certified record of the applicable jurisdiction unless otherwise indicated. CT Lien Solutions does not (i) warrant or guarantee the accuracy, completion or timeliness of the information provided or (ii) accept any liability for delays, errors or omissions in the information provided. CT Lien Solutions is not an insurer with regard to this information or these services. Under no circumstances shall CT Lien Solutions be liable for any loss of underlying collateral or loss (or decreased priority) of security interest in connection with this information or these services. Any categorization of search results is provided for convenience only and is not to be construed as a legal opinion concerning the status of filings.

Delaware

Page 1

The First State

CERTIFICATE

SEARCHED APRIL 17, 2019 AT 6:49 P.M.
FOR DEBTOR, BEST MADE TOYS LLC

1 OF 1

FINANCING STATEMENT

20152260254

DEBTOR: EXPIRATION DATE: 05/28/2020
BEST MADE TOYS LLC

350 WEST 53RD STREET, SUITE 7E

ADDED 05-28-15

NEW YORK, NY US 10019

SECURED: BANK OF MONTREAL

1 FIRST CANADIAN PLACE,

ADDED 05-28-15

11TH FLOOR

TORONTO, ON, CANADA, CA M5X1A1


F I L I N G H I S T O R Y

20152260254 FILED 05-28-15 AT 10:30 A.M. FINANCING STATEMENT

E N D O F F I L I N G H I S T O R Y

THE UNDERSIGNED FILING OFFICER HEREBY CERTIFIES THAT THE ABOVE LISTING IS A RECORD OF ALL PRESENTLY EFFECTIVE FINANCING STATEMENTS, FEDERAL TAX LIENS AND UTILITY SECURITY INSTRUMENTS FILED IN THIS OFFICE WHICH NAME THE ABOVE DEBTOR, BEST MADE TOYS LLC AS OF APRIL 15, 2019 AT 11:59 P.M.




Jeffrey W. Bullock, Secretary of State

20193916740-UCC11
SR# 20192939690


Authentication: 202664105
Date: 04-17-19

You may verify this certificate online at corp.delaware.gov/authver.shtml

Delaware

The First State

Page 2


Jeffrey W. Bullock, Secretary of State

20193916740-UCC11
SR# 20192939690

You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202664105
Date: 04-17-19

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

DELAWARE DEPARTMENT OF STATE
U.C.C. FILING SECTION
FILED 10:30 AM 05/28/2015
INITIAL FILING # 2015 2260254

SRV: 150796665

A. NAME & PHONE OF CONTACT AT FILER (optional)
B. E-MAIL CONTACT AT FILER (optional)
C. SEND ACKNOWLEDGMENT TO: (Name and Address)
<div style="border: 1px solid black; padding: 10px; width: fit-content; margin: 0 auto;">CSC 2711 Centerville Road Suite 400 Wilmington, DE 19808</div>

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME Best Made Toys LLC				
OR	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
350 West 53rd Street, Suite 7E	New York	NY	10019	USA

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Bank of Montreal				
OR	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
1 First Canadian Place, 11th Floor	Toronto	ON	M5X 1A1	Canada

4. COLLATERAL: This financing statement covers the following collateral:

All right, title and interest in and to all personal property and fixtures of the Debtor, whether now owned or existing or hereafter created, acquired or arising.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:

☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:

☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licenser

8. OPTIONAL FILER REFERENCE DATA:

Delaware

Matter No. 4172607

DMS 3782014.01.01

647114-3

Tab M

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OF ROBERT A. KIEFER SWORN BEFORE ME
ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, *etc.*,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.



CT Lien Solutions

a Wolters Kluwer Business

Search Results

GREG PEALER
Chapman & Cutler
111 W Monroe Street
Chicago, IL 60603

Date: 04/18/2019
Order #: 69432747
Customer #: 506065
Reference 1: 4265955
Reference 2: --

Target Name: **BEST MADE TOYS HOLDING LLC**

Jurisdiction: **Secretary of State, Delaware**

Search Type: Federal Tax Lien

Results: No Records Found /See Attached Certified Search

Searched Through: 04/15/2019

Searched: 10 Years

Search Type: UCC Lien

Results: See Attached Certified Search with 1 Copy Attached

Searched Through: 04/15/2019

Searched: 5 Years

JOHN D. CUNNINGHAM
Chicago Team 1
208 S. LaSalle Street
Suite 814
Chicago, IL 60604
(888) 829-5817 EXT:3586
John.Cunningham@wolterskluwer.com

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Page 1

The First State

CERTIFICATE

SEARCHED APRIL 17, 2019 AT 6:51 P.M.
FOR DEBTOR, BEST MADE TOYS HOLDING LLC

1 OF 1

FINANCING STATEMENT

20152260155

DEBTOR: EXPIRATION DATE: 05/28/2020
BEST MADE TOYS HOLDING LLC

350 WEST 53RD STREET, SUITE 7E

ADDED 05-28-15

NEW YORK, NY US 10019

SECURED: BANK OF MONTREAL

1 FIRST CANADIAN PLACE,

ADDED 05-28-15

11TH FLOOR

TORONTO, ON, CANADA, CA M5X1A1


F I L I N G H I S T O R Y

20152260155 FILED 05-28-15 AT 10:27 A.M. FINANCING STATEMENT

E N D O F F I L I N G H I S T O R Y

THE UNDERSIGNED FILING OFFICER HEREBY CERTIFIES THAT THE ABOVE LISTING IS A RECORD OF ALL PRESENTLY EFFECTIVE FINANCING STATEMENTS, FEDERAL TAX LIENS AND UTILITY SECURITY INSTRUMENTS FILED IN THIS OFFICE WHICH NAME THE ABOVE DEBTOR, BEST MADE TOYS HOLDING LLC AS OF APRIL 15, 2019 AT 11:59 P.M.




Jeffrey M. Roelack, Secretary of State

20193916840-UCC11
SR# 20192939760

Authentication: 202664137
Date: 04-17-19

You may verify this certificate online at corp.delaware.gov/authver.shtml

Delaware

The First State

Page 2




Jeffrey W. Bullock, Secretary of State

20193916840-UCC11
SR# 20192939760

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Authentication: 202664137
Date: 04-17-19

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

DELAWARE DEPARTMENT OF STATE
U.C.C. FILING SECTION
FILED 10:27 AM 05/28/2015
INITIAL FILING # 2015 2260155

SRV: 150796573

A. NAME & PHONE OF CONTACT AT FILER (optional)
B. E-MAIL CONTACT AT FILER (optional)
C. SEND ACKNOWLEDGMENT TO: (Name and Address)
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">CSC 2711 Centerville Road Suite 400 Wilmington, DE 19808</div>

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME Best Made Toys Holding LLC				
OR	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
350 West 53rd Street, Suite 7E	New York	NY	10019	USA

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Bank of Montreal				
OR	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
1 First Canadian Place, 11th Floor	Toronto	ON	M5X 1A1	Canada

4. COLLATERAL: This financing statement covers the following collateral:

All right, title and interest in and to all personal property and fixtures of the Debtor, whether now owned or existing or hereafter created, acquired or arising.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:

☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:

☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:

Delaware

Matter No. 4172607

DMS 3782014.01.01

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Tab N

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OF ROBERT A. KIEFER SWORN BEFORE ME

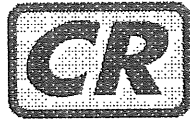
ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, *etc.*,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

Charge Registration Number
2015008916



公 司 註 冊 處
COMPANIES REGISTRY

**COMPANIES ORDINANCE
(CHAPTER 622)**

**CERTIFICATE OF REGISTRATION
OF
CHARGE**

I hereby certify that a Debenture dated 29 May 2015 and created by Best Made Toys Global Enterprises Limited in favour of BANK OF MONTREAL [as security agent and trustee for the benefit of the Secured Parties (as defined)] was registered under the Companies Ordinance.

Issued on 8 June 2015.

A handwritten signature in black ink, appearing to read 'A. L. Chung', with a horizontal line drawn underneath it.

Ms Ada L L CHUNG

.....
Registrar of Companies
Hong Kong Special Administrative Region

Tab 0

THIS IS EXHIBIT "O" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

FORBEARANCE AGREEMENT

BETWEEN

BEST MADE TOYS INTERNATIONAL, ULC
and
BEST MADE TOYS LLC,
as Borrowers

— and —

BEST MADE TOYS GLOBAL ENTERPRISES LIMITED and
BEST MADE TOYS HOLDING LLC
as Subsidiary Guarantors

— and —

SJ CAPITAL PARTNERS V, LLC
as Limited Recourse Guarantor

— and —

BANK OF MONTREAL
and
BANK OF MONTREAL, acting through its Chicago Branch
as Lenders

OCTOBER 4, 2018

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FORBEARANCE AGREEMENT

THIS AGREEMENT is dated as of October 4, 2018

B E T W E E N :

BET MADE TOYS INTERNATIONAL, ULC
and
BEST MADE TOYS LLC,
as Borrowers

— and —

BEST MADE TOYS GLOBAL ENTERPRISES LIMITED and
BEST MADE TOYS HOLDING LLC
as Subsidiary Guarantors

— and —

SJ CAPITAL PARTNERS V, LLC
as Limited Recourse Guarantor

— and —

BANK OF MONTREAL
and
BANK OF MONTREAL, acting through its Chicago Branch
as Lenders

CONTEXT:

- A.** The Lenders and the Borrowers have entered into certain financing arrangements under a credit agreement dated as of May 29, 2015 between, the Borrowers, the Subsidiary Guarantors and the Lenders, as amended by a first amendment dated as of September 15, 2015, a second amendment dated as of June 28, 2016 and a third amendment dated as of September 6, 2017 (collectively, the “**Original Credit Agreement**”).
- B.** The Original Credit Agreement was amended and restated pursuant to an amended and restated credit agreement dated as of October 4, 2018 between, the Borrowers, the Subsidiary Guarantors and the Lenders (as amended, restated, modified or supplemented from time to time, the “**Credit Agreement**”).

- C. As of the date of this Agreement, the Borrowers are in default under the Credit Agreement and the other Credit Documents, which defaults constitute one or more Events of Default under the Credit Documents, being the Existing Defaults.
- D. The Borrowers have requested that the Lenders forbear from exercising their rights as a result of the Existing Defaults, which are continuing, and that the Lenders continue to provide further advances pursuant to the terms of the Credit Agreement (collectively, the “**Loans**”) to the Borrowers despite those Events of Default.
- E. The Lenders are willing to forbear from exercising certain of their rights and remedies and to continue to provide certain further Loans to the Borrowers during the Forbearance Period on the terms and conditions set out in this Forbearance Agreement.

THEREFORE, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Credit Agreement Definitions

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

1.2 Other Definitions

In this Agreement the following terms have the following meanings:

- 1.2.1 “**Additional Default**” means any default or Event of Default under this Agreement, the Credit Agreement or any other Credit Document prior to or on or after the date of this Agreement, other than the Existing Defaults and the Anticipated Defaults.
- 1.2.2 “**Agreement**” means this agreement, including all Schedules, as it may be modified, amended, revised, restated, replaced, supplemented or otherwise amended from time to time and at any time hereafter, in writing, by the Parties.
- 1.2.3 “**Anticipated Default**” means the Events of Default that are anticipated to occur after the date of this Agreement as more particularly identified in Part 2 of Schedule 1.
- 1.2.4 “**Borrowers**” means, collectively, the Canadian Borrower and the US Borrower, and “**Borrower**” means any one of them.
- 1.2.5 “**Canadian Borrower**” means Best Made Toys International, ULC.
- 1.2.6 “**Chinese Subsidiary**” means Best Made Toys (Shanghai) Co Ltd.
- 1.2.7 “**Claims**” and “**Claim**” are defined in Section 9.4.1.

- 1.2.8 “**Collateral**” means the present and future assets, property and undertaking of each Loan Party and the Limited Recourse Guarantor (as applicable).
- 1.2.9 “**Credit Agreement**” is defined under “Context”, above.
- 1.2.10 “**Existing Defaults**” means the Events of Default known to the Lenders that have occurred to the date of this Agreement as more particularly identified in Part 1 of Schedule 1.
- 1.2.11 “**Existing Indebtedness**” means the Obligations existing as at the date hereof including, without limitation, those Obligations as more particularly described in Section 2.1 and Schedule 2.
- 1.2.12 “**Event of Default**” means any “Event of Default” as defined in the Credit Agreement or any other Credit Document.
- 1.2.13 “**Forbearance Period**” is defined in Section 3.1.1.
- 1.2.14 “**Forbearance Period Expiry Date**” means January 31, 2019.
- 1.2.15 “**HK Subsidiary**” means Best Made Toys Global Enterprises Limited.
- 1.2.16 “**Lender Financial Advisor**” means Deloitte Restructuring Inc.
- 1.2.17 “**Limited Recourse Guarantor**” means SJ Capital Partners V, LLC.
- 1.2.18 “**Loan Parties**” means, collectively, the Borrowers and the Subsidiary Guarantors, and “**Loan Party**” means any one of them.
- 1.2.19 “**Loans**” is defined under “Context”, above.
- 1.2.20 “**Parties**” means collectively, the Lenders and the Loan Parties and the Limited Recourse Guarantor and “**Party**” means any one of them.
- 1.2.21 “**Releasees**” and “**Releasee**” are defined in Section 9.4.1.
- 1.2.22 “**Subsidiary Guarantors**” means collectively, HK Subsidiary and US Subsidiary, and “**Subsidiary Guarantor**” means any one of them
- 1.2.23 “**Terminating Event**” is defined in Section Article 7.
- 1.2.24 “**US Borrower**” means Best Made Toys LLC.
- 1.2.25 “**US Subsidiary**” means Best Made Toys Holding LLC
- 1.3 **Entire Agreement**

This Agreement is a Credit Document and together with the other Credit Documents and any other agreement or agreements and other documents to be delivered under this Agreement, constitutes

the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, and there are no representations, warranties or other agreements between the Parties, express or implied, in connection with the subject matter of this Agreement except as specifically set out in this Agreement or the Credit Documents, or in any of the other agreements and documents delivered under this Agreement. No Party, has been induced to enter into this Agreement in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced to writing and included as a term in this Agreement or the Credit Documents, or in any of the other agreements and documents delivered under this Agreement.

1.4 Business Day

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

1.5 Certain Rules of Interpretation

- 1.5.1 In this Agreement, words signifying the singular number include the plural and vice versa, and words signifying gender include all genders. Every use of the word “including” in this Agreement is to be construed as meaning “including, without limitation”.
- 1.5.2 The division of this Agreement into Articles and Sections, the insertion of headings and the provision of a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement.
- 1.5.3 References in this Agreement to an Article, Section or Schedule are to be construed as references to an Article, Section or Schedule of or to this Agreement unless the context requires otherwise.
- 1.5.4 Unless otherwise specified in this Agreement, time periods within which or following which any payment is to be made or act is to be done will be calculated by excluding the day on which the period commences and including the day on which the period ends. If the last day of a time period is not a Business Day, the time period will end on the next Business Day.
- 1.5.5 Unless otherwise specified, any reference in this Agreement to any statute includes all regulations made under that statute, and is to be construed as a reference to that statute as amended, supplemented or replaced from time to time.
- 1.5.6 Unless otherwise specified, the word “dollar” and the “\$” sign refer to Canadian currency, and all amounts to be advanced, paid, tendered or calculated under this Agreement are to be advanced, paid, tendered or calculated in Canadian currency.

1.6 Schedules

The following is a list of Schedules:

Schedule	Subject Matter
Schedule 1	Existing Defaults / Anticipated Defaults
Schedule 2	Existing Indebtedness
Schedule 3	Existing Security

ARTICLE 2 ACKNOWLEDGMENT

2.1 Acknowledgement of Obligations

Each Loan Party and the Limited Recourse Guarantor confirms, acknowledges and agrees that the Existing Indebtedness as of the date of this Agreement is as set out in Schedule 2 attached hereto.

2.2 Other Confirmations and Acknowledgements

Each Loan Party and the Limited Recourse Guarantor confirms, acknowledges and agrees that:

- 2.2.1 each of the recitals in the "Context" is true and correct;
- 2.2.2 the Existing Defaults have occurred and are continuing, each of which constitutes an Event of Default under the Credit Documents and each Loan Party and the Limited Recourse Guarantor further represents and warrants that as of the date of this Agreement, and to the best of its knowledge after due and reasonable inquiry and investigation, no other Events of Default under the Credit Documents exist. The Lenders have not waived the Existing Defaults or the Anticipated Defaults and nothing contained in this Agreement or the transactions contemplated by this Agreement will be deemed to constitute any such waiver;
- 2.2.3 interest and fees continue to accrue on the Obligations at the rates set out in the Credit Agreement;
- 2.2.4 as of the date hereof, each Loan Party and the Limited Recourse Guarantor has paid or caused to be paid and satisfied all amounts in respect of income taxes, provincial sales taxes, goods and services taxes, employee payroll remittances, and similar obligations which have or may have priority over the security granted by the Loan Parties or the Limited Recourse Guarantor (as applicable) to the Lenders;
- 2.2.5 the Lenders have and will continue to have valid, enforceable and perfected first-priority liens, mortgages, charges, and security interests upon and security interests, subject to Permitted Encumbrances, in the Collateral granted to the Lenders under the

Credit Documents or otherwise granted to or held by the Lenders from time to time as continuing collateral security for the Obligations and all other amounts owing from time to time under this Agreement, the Credit Agreement and the other Credit Documents, subject only to Permitted Encumbrances;

- 2.2.6 the Credit Agreement, the Security and the other Credit Documents to which it is party and this Agreement are in full force and effect and constitute legal, valid and binding obligations of each Loan Party and the Limited Recourse Guarantor (as applicable), enforceable against them in accordance with their respective terms, subject to bankruptcy, insolvency and other laws of general application affecting creditors' rights and the discretion of the court in awarding equitable remedies;
- 2.2.7 it does not have knowledge of any valid claim for set-off, counter-claim, damages or other defence on any basis whatsoever against the Lenders and if there are any such claims, then it hereby expressly waives and releases them;
- 2.2.8 the Lenders are and will be entitled to the rights, remedies and benefits provided for in the Credit Documents, this Agreement and under Applicable Law;
- 2.2.9 the Lender Financial Advisor has been engaged by the Lenders, at the sole expense of the Borrowers, to provide advisory services with respect to the Borrowers in accordance with the terms and conditions of the engagement letter between the Lender Financial Advisor and Bank of Montreal dated May 4, 2018 (the "**Engagement Letter**");
- 2.2.10 each Loan Party and the Limited Recourse Guarantor agrees to grant all reasonable access and provide all reasonable information and documentation to, and to otherwise co-operate with the Lender Financial Advisor for the purpose of allowing the Lender Financial Advisor to satisfy and complete its mandate under the Engagement Letter; and
- 2.2.11 the Lenders may retain, in its sole discretion, any other financial advisor or consultant to monitor, enforce or advise them in relation to the Credit Documents, the Borrowers and the other Loan Parties.

2.3 Security and Guarantees

- 2.3.1 Each of the Loan Parties and the Limited Recourse Guarantor acknowledge and agree that:
 - 2.3.1.1 any reference to the "Credit Agreement" in any Credit Document shall refer to the Credit Agreement as defined in this Agreement, and each Credit Document shall be amended accordingly;
 - 2.3.1.2 the Security delivered to the Lenders (including, without limitation, the Security listed in Schedule 3 attached hereto, the "**Existing Security**") shall stand as security for each and every one of the Loan Parties' and Limited Recourse Guarantor's Obligations (as applicable) in accordance

with their respective terms including, without limitation, the Existing Indebtedness and any additional Loans and any other credit extended under the Credit Agreement, and that the Lenders shall not have the obligation to release or discharge the Existing Security, in whole or in part, unless and until all of the Obligations have been indefeasibly and irrevocably repaid in full; and

- 2.3.1.3 this Agreement shall constitute a Credit Document for all purposes under the Credit Agreement and the other Credit Documents.
- 2.3.2 Each Subsidiary Guarantor and the Limited Recourse Guarantor further acknowledges and agrees that:
 - 2.3.2.1 it does not dispute the Borrowers' liability under the Credit Agreement and the other Credit Documents and all monies from time to time payable thereunder on any grounds whatsoever; and
 - 2.3.2.2 it consents to the Borrowers entering into this Agreement and the Credit Agreement and acknowledges and confirms all representations and warranties, confirmations, obligations and covenants of the Borrowers set out in this Agreement.

ARTICLE 3

FORBEARANCE IN RESPECT OF CERTAIN EVENTS OF DEFAULT

3.1 Forbearance

- 3.1.1 In reliance upon the acknowledgments, confirmations, representations, warranties and covenants contained in this Agreement, and subject to the terms and conditions of this Agreement and any documents or instruments executed in connection with this Agreement, the Lenders agree to forbear from exercising their rights and remedies under the Credit Documents or Applicable Laws in respect of or arising out of the Existing Defaults and the Anticipated Defaults, subject to the conditions, amendments and modifications contained in this Agreement for the period (the "**Forbearance Period**") commencing on the date of this Agreement and ending on the earlier of:
 - 3.1.1.1 the date of Demand under the Credit Agreement;
 - 3.1.1.2 the Forbearance Period Expiry Date; and
 - 3.1.1.3 the occurrence or existence of any Terminating Event.
- 3.1.2 On the last day of the Forbearance Period, the agreement of the Lenders to forbear will automatically and without further action terminate and be of no force and effect, it being expressly agreed that the effect of that termination will be to permit the Lenders to immediately exercise all or any part of its rights and remedies under this Agreement, any of the Credit Documents or under Applicable Law, including:

- 3.1.2.1 to immediately terminate each of the Credit Facilities under the Credit Agreement and cease to make any further Loans without any further notice, passage of time or forbearance of any kind;
- 3.1.2.2 to accelerate all of the Obligations; and enforce all of its rights under the Credit Documents in each case without any further notice, passage of time or forbearance of any kind;
- 3.1.2.3 to immediately terminate all Hedge Arrangements, net all amounts owing between the Borrowers and the Lenders thereunder and set-off all amounts that may ultimately be owing by the Lenders to the Borrowers thereunder against all or any portion of the remaining Obligations; and
- 3.1.2.4 to appoint, and/or seek to appoint, a receiver, receiver and manager or interim receiver of any of the Loan Parties (or apply to a court of competent jurisdiction to do so).

3.2 No Other Waivers; Reservation of Rights

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

ARTICLE 4 OBLIGATIONS DURING FORBEARANCE PERIOD

4.1 Covenants

During the Forbearance Period, each Loan Party and the Limited Recourse Guarantor covenants and agrees as follows:

- 4.1.1 **Loan Party Covenants.** Each Loan Party shall strictly adhere to all the terms, conditions and covenants of this Agreement, the Credit Agreement and the other Credit Documents to which it is a party including, without limitation, terms requiring prompt payment of principal and interest amounts when due.
- 4.1.2 **Limited Recourse Guarantor Covenants.** The Limited Recourse Guarantor shall strictly adhere to all the terms, conditions and covenants of this Agreement and the other Credit Documents to which it is a party.

- 4.1.3 **Further Assurances.** Each Loan Party and the Limited Recourse Guarantor will provide any further or additional documents, whether provided for in this Agreement, the Credit Agreement, any other Credit Documents or otherwise, that the Lenders may reasonably require from time to time to ensure ongoing compliance with that terms of this Agreement, the Credit Agreement and any other Credit Document to which it is a party (including all Security).

4.2 Covenants in the Credit Agreement and the other Credit Documents

Except as expressly modified in this Agreement by specific reference, all of the covenants in this Agreement are in addition to and not in substitution for the covenants of the Loan Parties and the Limited Recourse Guarantor (as applicable) in the Credit Agreement and the other Credit Documents.

**ARTICLE 5
OBLIGATIONS OF THE LENDERS DURING THE FORBEARANCE PERIOD**

5.1 Additional Loans

So long as:

- 5.1.1 the Loan Parties have complied with all of their obligations under the Credit Agreement, the other Credit Documents and this Agreement;
- 5.1.2 the Limited Recourse Guarantor has complied with all of its obligations under this Agreement and the Credit Documents to which it is a party; and
- 5.1.3 no Terminating Event has occurred;

then, despite the Existing Defaults and the Anticipated Defaults, during the Forbearance Period the Lenders will make further Loans on the terms set out in the Credit Agreement.

**ARTICLE 6
REPRESENTATIONS, WARRANTIES AND COVENANTS**

Each of the Loan Parties and the Limited Recourse Guarantor represents, warrants and covenants with and to the Lenders as follows:

6.1 Full Effect of Documents

This Agreement and the other Credit Documents to which it is a party are in full force and effect, except as modified by this Agreement.

6.2 The Lenders May Pursue Remedies

Nothing in this Agreement will prejudice any Lender's rights to pursue any of its remedies including, without limitation, enforcing its rights under any of the Credit Documents:

- 6.2.1 prior to acceptance of this Agreement by the Parties; or
- 6.2.2 upon the expiry or earlier termination of the Forbearance Period.

ARTICLE 7 TERMINATING EVENTS

7.1 Terminating Events

Other than as may be consented to in writing by the Lenders, the occurrence of any of the following events will constitute a "**Terminating Event**" under this Agreement and an Event of Default under the Credit Agreement and the other Credit Documents:

- 7.1.1 any Additional Default;
- 7.1.2 if a Loan Party or the Limited Recourse Guarantor fails to comply with the terms and conditions of this Agreement or the other Credit Documents to which it is a party, other than as provided for under this Agreement;
- 7.1.3 except for any representation and warranty relating to the non-existence of any Existing Default, if any representation, warranty or other statement made or deemed to be made in this Agreement, in the Credit Agreement, the other Credit Documents or in any of the documents to be delivered to the Lenders under this Agreement by any Loan Party or the Limited Recourse Guarantor is untrue in any material respect;
- 7.1.4 if a Loan Party or the Limited Recourse Guarantor contests or denies in any manner the legality, validity, binding nature or enforceability of this Agreement or the Credit Documents or any liabilities and obligations to the Lenders under or relating to this Agreement or the Credit Documents; or
- 7.1.5 if any step is taken or event occurs that would materially prejudice or jeopardize the Lender's priority rights under the Credit Documents or the Collateral secured by the Credit Documents.

Upon the occurrence of a Terminating Event, the Forbearance Period will automatically terminate in accordance with Section 3.1.1.

ARTICLE 8 CONDITIONS TO EFFECTIVENESS OF CERTAIN PROVISIONS OF THIS AGREEMENT

8.1 Conditions to Effectiveness of Certain Provisions.

The forbearance and other accommodations granted by the Lenders hereunder shall only be granted by the Lenders if the following conditions precedent (the “**Conditions Precedent**”) have been complied with in such a manner satisfactory to the Lenders on or before the date of this Agreement, or such other date as specified below:

- 8.1.1 an original of this Agreement, duly authorized, executed and delivered by each of the Loan Parties and the Limited Recourse Guarantor;
- 8.1.2 payment by the Loan Parties of all other fees and disbursements of the Lenders’ legal counsel due and owing at such time pursuant to a delivered invoice; it being acknowledged and agreed by the Loan Parties that, in satisfying this condition precedent, each such amount shall be automatically debited by the Lenders from the operating account of the Loan Parties without any further consent or agreement of the Loan Parties being required in respect thereof;
- 8.1.3 delivery of a fully executed copy of the Guarantee dated May 29, 2015 granted by Best Made Toys Holding LLC in favour of the Lenders;
- 8.1.4 delivery of a new assignment with respect to:
 - 8.1.4.1 Membership Certificate No. 01 of Best Made Toys Holding LLC in the name of US Borrower for 100% units authorized on May 15, 2015 to be executed by an authorized officer of US Borrower, on behalf of US Borrower; and
 - 8.1.4.2 Membership Certificate No. 105 of US Borrower in the name of SJ Capital Partners V, LLC for 93.64% units authorized on August 1, 2015 to be executed by an authorized officer of SJ Capital Partners V, LLC on behalf of SJ Capital Partners V, LLC.
- 8.1.5 evidence that each of Loan Party and the Limited Recourse Guarantor has paid its franchise tax, filed its current annual report and is in good standing in its jurisdiction of incorporation; and
- 8.1.6 the execution of all documentation reasonably required by the Lenders and its solicitors in connection with this Agreement, including without limitation, such further assurances, resolutions and opinions, all in form and substance satisfactory to the Lenders.

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

Notwithstanding any failure to satisfy the Conditions Precedent or the termination of this Agreement or the Forbearance Period, the representations, warranties, obligations, agreements, confirmations, acknowledgements and covenants of (i) the Loan Parties and the Limited Recourse Guarantor contained herein shall survive and shall continue in full force and effect; and (ii) Scott Johnson contained herein shall survive and shall continue in full force and effect until such time as the Lenders commence foreclosure proceedings in respect of the Collateral pursuant to the Security.

ARTICLE 9 GENERAL

9.1 Effect of this Agreement

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

9.2 Costs and Expenses

The Loan Parties hereby, jointly and severally, absolutely and unconditionally agree to pay to and fully indemnify the Lenders, on demand at any time and as often as may be required, whether or not all or any of the transactions contemplated by this Agreement are consummated, all fees and disbursements of any consultant, any counsel to the Lenders, any other consultant or agent and all other expenses incurred by the Lenders in connection with this Agreement, the Credit Facilities, the Credit Documents or the Security, including (a) legal expenses in connection with the preparation, negotiation and interpretation of this Agreement, the other agreements or documents contemplated by this Agreement, the Credit Documents and the Security and the administration of the Credit Facilities generally; (b) all expenses of advisors and consultants to the Lenders (including legal expenses on a full indemnity basis) incurred in connection with the protection and enforcement of this Agreement, or the Security or in connection with any proceeding in respect of bankruptcy, insolvency, winding up, receivership, dissolution, reorganization, liquidation, moratorium, arrangement or assignment for the benefit of creditors involving any Loan Party or the Limited Recourse Guarantor, in each of the foregoing events whether under the *Bankruptcy and Insolvency Act* (Canada), the *Winding-Up and Restructuring Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), or United States Bankruptcy Code (11 U.S.C. §101 et seq.), or any similar federal, state, provincial or foreign bankruptcy, insolvency, reorganization, receivership or similar law. Each Borrower specifically authorizes the Lenders to debit from any of the Borrower's accounts with the Lenders the amount of any such existing and future fees and disbursements, and other expenses. Each Loan Party and the Limited Recourse Guarantor specifically waives all rights it may have to assess any of the legal, agents or other fees previously paid or payable by the Lenders to its solicitors or payable to its solicitors, agents or others in connection with or in any way related to the Loan Parties or the Limited Recourse Guarantor up to the date of this Agreement, whether any such right of assessment arises under the *Solicitors Act* (Ontario), or under any other law or statute.

9.3 Survival of Representations and Warranties

All representations and warranties made in this Agreement or any other document delivered in connection with this Agreement will survive the execution and delivery of this Agreement and the other documents in accordance with the provisions of the *Limitations Act*, 2002 (Ontario) and no investigation by the Lenders or any closing will affect the representations and warranties or the right of the Lenders to rely upon them.

9.4 Release

- 9.4.1 In consideration of this Agreement and for other good and valuable consideration, each Loan Party and the Limited Recourse Guarantor, on their own behalf and on behalf of their respective successors, assigns, and other legal representatives, absolutely, unconditionally and irrevocably releases each Lender, and its present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, legal counsel, consultants, employees, agents and other representatives, and their successors and assigns (all of which are referred to collectively as the “**Releasees**” and individually as a “**Releasee**”), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defences, rights of set-off, demands and liabilities (individually, a “**Claim**” and collectively, “**Claims**”) of every kind or nature whatsoever, known or unknown, both at law and in equity, which such Loan Party or Limited Recourse Guarantor or any of their respective successors, assigns, or other legal representatives may now or later have against any of the Releasees by reason of any circumstance, action, cause or thing which arose at any time on or prior to the date of this Agreement, including for or on account of, or in relation to, or in any way in connection with, any of the Credit Documents or transactions under or related to the Credit Documents, provided that, for greater certainty, the foregoing shall not release any Lenders or any Lender Releasee from any obligations under the Credit Agreement (as modified by this Agreement) or this Agreement arising solely on or after the date of this Agreement;
- 9.4.2 each Loan Party and the Limited Recourse Guarantor understands, acknowledges and agrees that the release set out in Section 9.4.1 may be pleaded as a full and complete defence and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of that release; and
- 9.4.3 each Loan Party and the Limited Recourse Guarantor agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may later be discovered will affect in any manner the final, absolute and unconditional nature of the release set out in Section 9.4.1.

9.5 Covenant Not to Sue

9.5.1 Each Loan Party and the Limited Recourse Guarantor, on its own behalf and on behalf of their respective successors, assigns, and other legal representatives, absolutely, unconditionally and irrevocably, covenants and agrees with and in favour of each Releasee that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claim released by a Loan Party or Limited Recourse Guarantor under Section 9.4.1 above. If a Loan Party or the Limited Recourse Guarantor or any of their respective successors, assigns or other legal representatives violates the foregoing covenant, each Loan Party and the Limited Recourse Guarantor, for itself and its successors, assigns and legal representatives, agree to pay (and fully indemnify the Releasee for) in addition to any other damages that any Releasee may sustain as a result of that violation, all legal fees and costs incurred by any Releasee as a result of that violation.

9.5.2 Each of the Lenders, on its own behalf and on behalf of their respective successors, assigns, and other legal representatives, absolutely, unconditionally and irrevocably, covenants and agrees with and in favour of Scott Johnson, Andrew Parsons and Gordon Boggis, being the current directors of the Obligors (each a “**Director**” and collectively, the “**Directors**”) that it will not pursue (at law, in equity, in any regulatory proceeding or otherwise) any actions, causes of action, suits or any and all other claims in each case related to such Director having served as a director of an Obligor which arose at any time on or prior to the date of this Agreement (each a “**Director Claim**”) against the personal assets of any Director provided that:

9.5.2.1 the foregoing does not restrict the Lenders from pursuing a Director Claim against any Director for the sole purpose of making a claim against any policies of insurance in respect of director and officer liability; and

9.5.2.2 the foregoing does not restrict the Lenders from pursuing a Director Claim against the personal assets of Scott Johnson in the event Scott Johnson resigns as director of any Obligor, the Limited Recourse Guarantor resigns as managing member of the US Borrower or the US Borrower resigns as managing member of the US Subsidiary, in each case other than in accordance with Section 9.6 below.

9.6 Resignation/Replacement of Directors

9.6.1 The Parties acknowledge and agree that Andrew Parsons and Gordon Boggis intend to resign as director of the US Borrower and US Subsidiary after the date of this Agreement.

9.6.2 Each Party and Scott Johnson agrees to enter into good faith negotiations to formulate a transition plan pursuant to which as soon as practicable following the date of this Agreement (i) Scott Johnson will resign as director of the Obligors; (ii) the Limited Recourse Guarantor will resign as managing member of the US Borrower and the US Subsidiary, and the Limited Liability Company Agreements for the US Borrower and

the US Subsidiary will be amended accordingly; and (ii) a new manager and board of directors suitable to the Lenders, acting reasonably, will be appointed for each of the Obligors.

9.6.3 Notwithstanding Section 9.6.2 above:

- 9.6.3.1 At the Lenders' option, Scott Johnson will remain a director of the HK Guarantor and the Chinese Subsidiary until June 30, 2019, without compensation (other than reasonable, out-of-pocket expenses), unless a replacement director acceptable to the Lenders, acting reasonably, is appointed as director of the HK Guarantor and the Chinese Subsidiary prior to such date;
- 9.6.3.2 At the Lenders' option, Scott Johnson will remain a director of the Canadian Borrower, the US Borrower and the US Subsidiary, the Limited Recourse Guarantor will remain the managing member of the US Borrower and the US Borrower will remain the member manager of the US Subsidiary, in each case without compensation (other than reasonable, out-of-pocket expenses) up to and including December 31, 2018 unless a replacement director or manager, as applicable, acceptable to the Lenders, acting reasonably, is appointed as director or manager, as applicable, of the Canadian Borrower, the US Borrower and the US Subsidiary prior to such date;
- 9.6.3.3 At the Lenders' option, for the period commencing January 1, 2019 up to and including March 31, 2019 (i) Scott Johnson will remain a director of the Canadian Borrower, the US Borrower and the US Subsidiary; and (ii) the Limited Recourse Guarantor will remain as managing member of the US Borrower and the US Borrower will remain the member manager of the US Subsidiary, subject to payment by the Borrowers to Scott Johnson of an aggregate monthly consulting fee of US\$7,500 per month (such fee to be payable monthly in arrears), unless a replacement director or manager, as applicable, acceptable to the Lenders, acting reasonably, is appointed as director or manager, as applicable, of each of the Canadian Borrower, the US Borrower and the US Subsidiary prior to such date; and
- 9.6.3.4 On April 1, 2019, Scott Johnson may resign as director of the Canadian Borrower, the US Borrower and the US Subsidiary, and the Limited Recourse Guarantor may resign as managing member of the US Borrower. For the avoidance of doubt, the US Borrower shall remain the member manager of the US Subsidiary unless a substitute manager is appointed in accordance with the foregoing provisions.
- 9.6.3.5 On July 1, 2019, Scott Johnson may resign as director of the HK Guarantor and the Chinese Subsidiary.

- 9.6.4 The Loan Parties and the Limited Recourse Guarantor agree to take all steps necessary to amend the Limited Liability Agreement for each of the US Borrower and the US Subsidiary to give effect resignation of the Limited Recourse Guarantor as managing member of the US Borrower and the appointment of a new board of directors and manager, as applicable, of the US Borrower and US Guarantor in accordance with the provisions of this Section 9.6.

9.7 Reviewed by Legal Counsel

Each Party represents and warrants to the other Parties that it:

- 9.7.1 understands fully the terms of this Agreement and the consequences of the execution and delivery of this Agreement;
- 9.7.2 has been afforded an opportunity to have this Agreement reviewed by, and to discuss this Agreement and any documents executed in connection herewith with, such lawyers and other persons as such Party may wish; and
- 9.7.3 has entered into this Agreement and executed and delivered all documents in connection herewith of its own free will and accord and without threat, duress or other coercion of any kind by any Person. The Parties hereto acknowledge and agree that neither this Agreement nor the other documents executed pursuant hereto will be construed more favourably in favour of one than the other based upon which Party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation and preparation of this Agreement and the other documents executed pursuant hereto or in connection herewith.

9.8 Governing Law

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

9.9 Submission to Jurisdiction

Without prejudice to the ability of any Party to enforce this Agreement in any other proper jurisdiction, each of the Parties irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario to determine all issues, whether at law or in equity arising from this Agreement. To the extent permitted by Applicable Law, each of the Parties irrevocably waives any objection (including any claim of inconvenient forum) to the venue of any legal proceeding arising out of or relating to this Agreement in the courts of that Province, or that the subject matter of this Agreement may not be enforced in those courts, and irrevocably agrees not to seek, and hereby waives any right to, judicial review by any court which may be called upon to enforce the judgment of the courts referred to in this Section 9.9, of the substantive merits of any such suit, action or proceeding. To the extent a Party has or hereafter may acquire any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, that Party irrevocably waives that immunity in respect of its obligations under this Agreement.

9.10 Mutual Waiver of Jury Trial

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

9.11 Time of Essence

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

9.12 Notices

Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be made in accordance with the Credit Agreement and the other Credit Documents.

9.13 Further Assurances

Each Loan Party and the Limited Recourse Guarantor will, at its own cost, execute and deliver all further agreements and documents and provide all further assurances as may be reasonably required by the Lenders to give effect to this Agreement.

9.14 No Merger or Novation

All Security and other documents and instruments provided to the Lenders or otherwise entered into by the Loan Parties and the Limited Recourse Guarantor prior to the date hereof in connection with the Credit Facilities and accommodations provided for or contemplated in the Credit Agreement, there being no novation or merger of the Credit Agreement, any of the Security or any of the other Credit Documents, and all Obligations continue under the Credit Agreement and the other Credit Documents.

9.15 Amendment and Waiver

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

9.16 Assignment and Enurement

None of the Loan Parties or Limited Recourse Guarantor will be entitled to assign this Agreement or any right or obligation under this Agreement without the prior consent of the Lenders. The Lenders may assign this Agreement and any of its rights and obligations under this Agreement without the consent of or notice to the Loan Parties or Limited Recourse Guarantor. This Agreement enures to the benefit of and is binding upon the Parties and their respective successors and permitted assigns.

9.17 Severability

Each provision of this Agreement is distinct and severable. If any provision of this Agreement, in whole or in part, is or becomes illegal, invalid or unenforceable in any jurisdiction by a court of competent jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect the legality, validity or enforceability of the remaining provisions of this Agreement, or the legality, validity or enforceability of that provision in any other jurisdiction.

9.18 Counterparts

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

9.19 Facsimile Signatures

Delivery of this Agreement by facsimile transmission constitutes valid and effective delivery.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK.

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

BANK OF MONTREAL, as a Lender

Per : 

Name:

Robert Kiefer

Title:

Senior Account Manager

Per : 

Name:

Stanley J. Julien

Title:

Managing Director

I/We have authority to bind the bank.

BANK OF MONTREAL acting through its Chicago Branch, as a Lender

Per : _____

Name:

Title:

Per : _____

Name:

Title:

I/We have authority to bind the bank.

Forbearance Agreement

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

BANK OF MONTREAL, as a Lender

Per : _____
Name:
Title:

Per : _____
Name:
Title:

I/We have authority to bind the bank.

BANK OF MONTREAL acting through its Chicago Branch, as a Lender

Per : Randon Gardley
Name: Randon Gardley
Title: Vice President

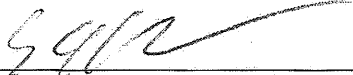
Per : _____
Name:
Title:

I/We have authority to bind the bank.

Forbearance Agreement

BEST MADE TOYS INTERNATIONAL, ULC, as a Borrower

Per :


Name: Scott S. Johnson
Title: Chairman

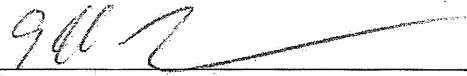
Per :

Name:
Title:

I/We have authority to bind the corporation.

BEST MADE TOYS LLC, as a Borrower

Per :


Name: Scott S. Johnson
Title: Chairman

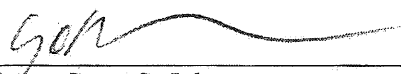
Per :

Name:
Title:

I/We have authority to bind the corporation.

BEST MADE TOYS GLOBAL ENTERPRISES LIMITED, as a Subsidiary Guarantor

Per :


Name: Scott S. Johnson
Title: Director


Per :

Name:
Title:

I/We have authority to bind the corporation.

Forbearance Agreement

**BEST MADE TOYS HOLDING LLC, as a Subsidiary
Guarantor**

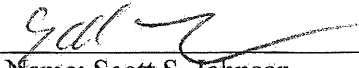
Per : 
Name: Scott S. Johnson
Title: Director

Per : _____
Name:
Title:

I/We have authority to bind the corporation.

Forbearance Agreement

**SJ CAPITAL PARTNERS V, LLC, as a Limited
Recourse Guarantor**

Per : 
Name: Scott S. Johnson
Title: Chief Executive Officer

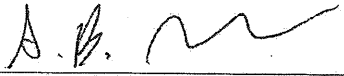
Per : _____
Name:
Title:

I/We have authority to bind the corporation.

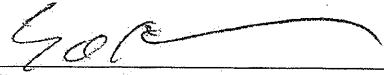
Forbearance Agreement

IN WITNESS WHEREOF Scott Johnson has executed this Agreement for the sole purpose of acknowledging and agreeing to be bound by the provisions of Sections 9.5.2 and 9.6 of this Agreement.

Witness:



Witness Name: *Samanthan Johnson*



Scott S. Johnson

SCHEDULE 1
EXISTING DEFAULTS / ANTICIPATED DEFAULTS

Part 1 – Existing Defaults

1. The Borrowers failure to meet the required Fixed Charge Coverage Ratio for the period ending September 30, 2017
2. The Borrowers failure to meet the required Fixed Charge Converge Ratio for the periods ending December 31, 2017 and March 31, 2018
3. The Borrowers failure to meet the required Senior Funded Debt to EBITDA Ratio for the periods ending December 31, 2017 and March 31, 2018

Part 2 – Anticipated Defaults

1. Breach of Sections 9.1.14 and 9.1.26 of the Credit Agreement due to the following:
 - a. During the second quarter of 2018, the Business experienced a significant shortfall of the necessary cash resources to adequately pay all of its suppliers. As a result, the largest supplier to the Business, Lian Yun Gang Yong Sheng Toy Arts and Crafts (“Yong Sheng”), discontinued production of all orders from the Obligors and held additional orders at the ports in China and Canada. In addition, due to the Obligors’ inability to pay the required deposits, submission of orders to the other factories for the Business’ Valentine program was significantly delayed. This factory disruption resulted in many customer orders to be delivered late, far beyond the delivery dates required by the customers of the Business. It is possible that these events could result in a significant reduction in future customer orders beginning in 2019. These events will also significantly increase expenses and cash disbursements in 2018, resulting from the Obligors’ efforts in expediting the delayed orders and customer penalties.

SCHEDULE 2
EXISTING INDEBTEDNESS

As at October 4, 2018

Principal	Interest	Total	Currency	Facility
\$3,000,000.00	\$2,897.26	\$3,002,897.26	USD	CAD Revolving (previous LIBOR)
\$1,500,000.00	\$1,448.63	\$1,501,448.63	USD	CAD Revolving (previous LIBOR)
\$50,847.92	\$40.54	\$50,888.46	CAD	NAL Corp M/C Diners
\$225,158.77	\$179.51	\$225,338.28	CAD	NAL Corp M/C Diners
\$10,033,690.87	\$10,663.68	\$10,044,354.55	USD	ODL
\$2,515,750.00	\$2,358.52	\$2,518,108.52	USD	Delayed Draw Term
\$6,097,875.00	\$5,716.76	\$6,103,591.76	USD	Term Facility

SCHEDULE 3

EXISTING SECURITY

Part 1 – Canadian Security Documents

1. General Security Agreement dated May 29, 2015 between the Canadian Borrower and the Lender;
2. Guarantee dated May 29, 2015 between the Canadian Borrower and the Lender;
3. Agreement as to Loans and Advances and Security dated May 29, 2015 granted by the Canadian Borrower in favour of the Lender;
4. Security under Section 427(1) of the Lender Act dated May 29, 2015 granted by the Canadian Borrower in favour of the Bank;
5. Application for Credit and Promise to Give Bills of Lading, Warehouse Receipts or Security under Section 427 of the Bank Act dated May 29, 2015 from the Canadian Borrower to the Lender;
6. Notice of Registration under Section 427(1) of the Bank Act dated May 25, 2015 from the Canadian Borrower;
7. Assignment of Insurance dated May 29, 2015 granted by the Borrowers and the US Subsidiary in favour of the Lender;
8. Guarantee/Pledge Agreement dated May 29, 2015 between SJ Capital Partners V, LLC, the US Borrower and the Lender, as amended by Amendment to Guarantee/Pledge Agreement dated September 15, 2015 together with:
 - (a) Membership Certificate No. 5 in respect of 93.64% membership interest in the US Borrower owned by SJ Capital Partners V, LLC, and related stock transfer power of attorney;
9. Landlord's Waiver dated May 29, 2015 with respect to 120 St. Regis Crescent North, Toronto;
10. Bailee Letter dated May 29, 2015 with respect to 5404 Maingate Drive, Mississauga; and
11. Bailee Letter dated May 1, 2015 with respect to 7035 Ordan Drive, Mississauga.

Part 2 – US Security Documents

1. Security Agreement dated May 29, 2015 between the US Borrower, US Subsidiary and the Lender together with:

- a. Membership Certificate No. 1 in respect of a 100% membership interest in Best Made Toys Holding LLC owned by the US Borrower, and related stock transfer power of attorney;
 - b. Share Certificate No. 3 in respect of 0.65 common shares of the Canadian Borrower owned by Best Made Toys Holding LLC, and related stock transfer power of attorney;
 - c. Share Certificate No. 3 in respect of 65 ordinary shares of the HK Subsidiary owned by the US Borrower, and related stock transfer power;
2. Guarantee dated May 29, 2015 granted by the US Borrower in favour of the Lender;
3. Guarantee dated May 29, 2015 granted by Best Made Toys Holding LLC in favour of the Lender;
4. Deposit Account Control Agreement dated May 29, 2015 between the US Borrower and the Lender; and
5. Deposit Account Control Agreement dated May 29, 2015 between Best Made Toys Holding LLC and the Lender.

Part 3 – Hong Kong Security Documents

1. Debenture dated May 29, 2015 between the HK Subsidiary and the Lender;
2. Share Charge dated May 29, 2015 granted by the US Borrower in favour of the Lender together with:
 - a. Share Certificate No. 3 in respect of 65 ordinary shares of the HK Subsidiary owned by the US Borrower, and related stock transfer power;
3. Guarantee dated May 29, 2015 between the HK Subsidiary and the Lender.

Tab P

THIS IS EXHIBIT "P" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME
ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, *etc.*,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

December 17th, 2018

Best Made Toys International, ULC
and Best Made Toys LLC
c/o 355 Burrard Street, Suite 1800
Vancouver, British Columbia V6C 2G8

Attention: Scott Johnson

Dear Sirs

Re: Bank of Montreal (the “Bank”) credit facilities with Best Made Toys International, ULC and Best Made Toys LLC (collectively, the “Borrowers”)

We refer to:

- a) our letters of June 7, 2018 and July 26, 2018 with respect to certain defaults that had occurred under the Credit Agreement dated May 29, 2015 between, among others, the Bank and the Borrowers (as amended);
- b) the Amended and Restated Credit Agreement dated October 4, 2018 between, among others, the Bank and the Borrowers (the “**Credit Agreement**”); and
- c) the Forbearance Agreement dated October 4, 2018 between, among others, the Bank and the Borrowers (the “**Forbearance Agreement**”).

The Bank has become aware of the occurrence of additional defaults under the Credit Agreement, specifically, the Borrowers are in default of the Year-to-Date Cumulative EBITDA covenant as of October 31, 2018. As a result of this default, a “Terminating Event” (as such term is defined in the Forbearance Agreement) has occurred, and the Bank is entitled to exercise any and all default-related rights and remedies under the Credit Agreement, the security documents and/or applicable law.

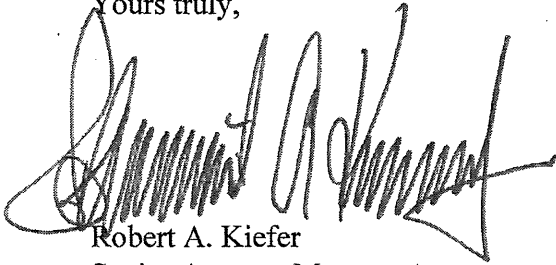
The Bank has not waived, and by any on-going discussions and meetings does not waive, these defaults or any other defaults that may exist under the Borrowers’ credit facilities with the Bank.

Taking into account the financial situation of the Borrowers, the Bank is prepared to continue to provide credit availability to the Borrowers under the Credit Agreement pursuant to the terms of the Credit Agreement. However, neither the continuation of the credit facilities by the Bank nor the Bank’s failure to take steps to immediately enforce its security will in any way constitute a

waiver of the existing or any future defaults under the Credit Agreement or any other agreements between the Borrowers and the Bank. The Bank expressly reserves all of its existing and future rights and remedies under the Credit Agreement, the security and at law.

We will continue to monitor the financial condition of the Borrowers closely in conjunction with Deloitte Restructuring Inc., as financial advisors.

Yours truly,

A handwritten signature in black ink, appearing to read 'Robert A. Kiefer', with a stylized, sweeping flourish extending to the right.

Robert A. Kiefer
Senior Account Manager
Bank of Montreal

cc Best Made Toys Global Enterprises Limited
Best Made Toys Holding LLC
SJ Capital Partners V, LLC
Export Development Canada

Tab Q

THIS IS EXHIBIT "Q" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

March 28th, 2019

Best Made Toys Ltd.
120 St Regis Crescent North
North York, ON. M3J 1Z3

Attention: Carter Pennington, Chief Executive Officer/Naveed Manzoor, Director

Dear Sirs:

Re: Best Made Toys Sales and Investor Solicitation Process

The purpose of this letter agreement is to confirm the arrangement that was agreed to by Best Made Toys LLC ("BMT" or the "Company") and Bank of Montreal (the "Bank") during a conference call that was held with Deloitte Restructuring Inc. ("Deloitte") on February 28, 2019.

During the conference call, the Company, Deloitte and the Bank discussed the current financial situation of BMT and that the Company, based on its own modeling had determined that (a) BMT would need an additional USD8 million of liquidity at its peak in August during Fiscal 2019, in addition to the existing BMO Revolver of USD10 million and the BMO/EDC USD10 million facilities; (b) liquidity for BMT would need to ramp up during the period from May 2019 to August 2019; (c) BMT's liquidity needs would peak in August 2019 at USD28 million; and (d) BMT's total liquidity needs would not reduce below USD20 million until after December 2019.

The Bank explained on the call that (a) the Bank was not able to provide the additional liquidity required for Fiscal 2019; (b) it would be unlikely that EDC could provide the additional liquidity required; and (c) it would be unlikely that any third party would be in a position to provide the additional liquidity based on the Company's and the Bank's experience in 2018 when they unsuccessfully canvassed the market for participants who would be able to provide additional liquidity.

Accordingly, based on the above financial considerations, the Company and the Bank mutually agreed that the best course of action for the Company would be to engage Deloitte Corporate Finance ("Deloitte CF") to commence and manage a condensed Sales and Investor Solicitation Process ("SISP").

It would be expected that the SISP would commence on Thursday March 14th, 2019 with Deloitte CF sending our Teasers to an agreed list of potential strategic and financial purchasers (Canada/US/International) to either acquire BMT or refinance BMT's current credit facilities. Any interested potential purchasers would then be asked to sign a Non-Disclosure Agreement ("NDA") in

order to gain access to the data room and commence their due diligence. It was anticipated that the Company could expect the receipt of non-binding letters of intent ("LOIs") by early April 2019.

In the Management Report prepared by Carter Pennington for BMT and the Bank it was noted that the Company was facing imminent challenges in both the short term and long term in respect of maintaining ongoing stability of its operations on account of the past due payments and deposits owing to Chinese suppliers. The Management Report also noted that there was a significant risk that (a) Chinese suppliers may stop production completely until they were paid and (b) BMT competitors would continue to approach BMT's Chinese suppliers in order to buy their production capacity. This could result in BMT's production capacity being significantly reduced with the ultimate impact being that product could not be delivered on time. The key client, which would be impacted by product not being on time, would be Walmart US.

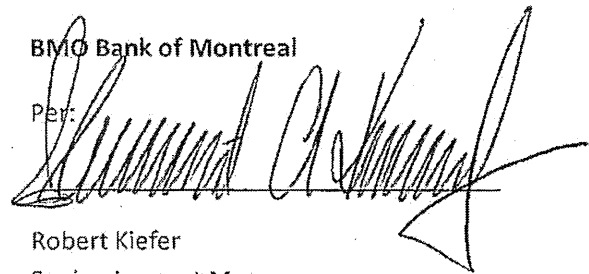
It was understood and agreed that depending on response to the SISF by potential purchasers and the degree to which BMT is able to maintain stability of its operations during the administration of the SISF process, the SISF may need to be accelerated, or the Bank may need to proceed with a formal liquidation of BMT in order to protect its collateral from further serious erosion. It was confirmed by Carter Pennington that he would continue to work with BMT, Deloitte and the Bank throughout the SISF Process, but if the process transitions to an orderly liquidation; his services would not likely be required.

Accordingly, subject to having an update call with EDC, Deloitte and the Bank look forward to working with BMT and its management to implement and carry out the SISF in accordance with the time-lines as discussed above and to be further developed and as agreed to by Deloitte, BMT and the Bank.

Sincerely yours,

BMO Bank of Montreal

Per:

A handwritten signature in black ink, appearing to read 'Robert Kiefer', is written over a horizontal line. The signature is stylized with a large, sweeping 'R' and a long, trailing flourish.

Robert Kiefer

Senior Account Manager

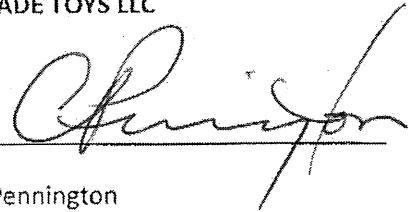
Special Accounts Management Unit

ACKNOWLEDGEMENT AND AGREEMENT

BMT, hereby, acknowledges and agrees to work cooperatively with Deloitte CF and the Bank in order to construct, implement and administer a SISP to find strategic or financial purchasers to either acquire BMT or refinance BMT's current credit facilities.

BEST MADE TOYS LLC

Per:

A handwritten signature in black ink, appearing to read 'C. Pennington', is written over a horizontal line.

Carter Pennington
Chief Executive Officer

Tab R

THIS IS EXHIBIT "R" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

Alex MacFarlane
T 416.367.6305
F 416.367.6749
AMacFarlane@blg.com

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada M5H 4E3
T 416.367.6000
F 416.367.6749
blg.com



April 12, 2019

Delivered by Courier and Registered Mail

Private and Confidential

Best Made Toys International, ULC /
Best Made Toys LLC
350 West 53rd Street, Suite 7E
New York, New York
USA 10019

Attention: Naveed Manzoor, Director

Dear Sir:

Re: Indebtedness of Best Made Toys International, ULC (the "Canadian Borrower") and Best Made Toys LLC (the "US Borrower" and together with the Canadian Borrower, the "Borrowers") to Bank of Montreal and Bank of Montreal, acting through its Chicago Branch (together with Bank of Montreal, the "Bank")

We are the lawyers for the Bank in connection with above-captioned matter.

We refer to the credit agreement dated October 4, 2018 entered into between, *inter alios*, the Borrowers, as borrowers, and the Bank, as lender (the "**Credit Agreement**") wherein certain credit facilities were made available by the Bank to the Borrowers, subject to the terms and conditions therein. Unless otherwise specified, capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

We also refer to the guarantee dated May 29, 2015 by the Canadian Borrower in respect of the Obligations of the US Borrower under the Credit Agreement. Pursuant to the terms of the guarantee, the Canadian Borrower has guaranteed payment on demand of all present and future debts and liabilities owing by the US Borrower to the Bank, together with interest thereon from the date of demand (the "**Canadian Borrower Guaranteed Indebtedness**"). We also refer to the guarantee dated May 29, 2015 by the US Borrower in respect of the Obligations of the Canadian Borrower under the Credit Agreement. Pursuant to the terms of the guarantee, the US Borrower has guaranteed payment on demand of all present and future debts and liabilities owing by the Canadian Borrower to the Bank, together with interest thereon from the date of demand (together with the Canadian Borrower Guaranteed Indebtedness, the "**Guaranteed Indebtedness**").

The Bank holds certain security and related documents in respect of the Borrowers' indebtedness to the Bank, including a general security agreement dated May 29, 2015 by the Canadian Borrower and a security agreement dated May 29, 2015 by the US Borrower (collectively, the "**Security**").

The Borrowers are in default under the Credit Agreement and the other Credit Documents, which defaults constitute one or more Events of Default under the Credit Documents. As a result, pursuant to the Credit Agreement, the Bank is entitled to exercise any and all rights and remedies under the Credit Agreement, the security documents and/or applicable law and hereby declares that all of the Obligations of the Borrowers have become immediately due and payable.

As of April 10, 2019, the Borrowers are indebted or otherwise liable to the Bank in the amount of CAD\$778,054.42 and US\$21,798,505.58, each inclusive of interest to April 10, 2019, but excluding any costs and expenses (including, without limitation, legal fees and expenses) incurred to date and that will be incurred after the date hereof and additional interest from and after April 10, 2019 to which the Bank is entitled under the Credit Agreement and the other Credit Documents (collectively, the "Indebtedness"). The Indebtedness and the Guaranteed Indebtedness is secured by, *inter alia*, the Security.

On behalf of the Bank, we hereby demand the immediate payment of the Indebtedness and the Guaranteed Indebtedness in full by the Borrowers. Payment of the Indebtedness and the Guaranteed Indebtedness is to be made forthwith. If payment is not made forthwith, the Bank intends to take such steps as are necessary or appropriate to obtain payment thereof, including, without limitation, the enforcement of the Security. In this regard, we enclose a Notice of Intention to Enforce Security pursuant to section 244(1) of the *Bankruptcy and Insolvency Act* (Canada).

Yours very truly,



Alex MacFarlane

Encl.

cc: Bank of Montreal (with attachments by email)

TOR01: 7444254: v7

Tab S

THIS IS EXHIBIT "S" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME
ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

Alex MacFarlane
T 416.367.6305
F 416.367.6749
AMacfarlane@blg.com

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada M5H 4E3
T 416.367.6000
F 416.367.6749
blg.com



April 12, 2019

Delivered by Courier and Registered Mail

Private and Confidential

Best Made Toys International, ULC /
Best Made Toys LLC
350 West 53rd Street, Suite 7E
New York, New York
USA 10019

Attention: Naveed Manzoor, Director

Dear Sir:

Re: Indebtedness of Best Made Toys International, ULC (the "Canadian Borrower") and Best Made Toys LLC (the "US Borrower" and together with the Canadian Borrower, the "Borrowers") to Bank of Montreal and Bank of Montreal, acting through its Chicago Branch (together with Bank of Montreal, the "Bank")

We are the lawyers for the Bank in connection with above-captioned matter.

We refer to the credit agreement dated October 4, 2018 entered into between, *inter alios*, the Borrowers, as borrowers, and the Bank, as lender (the "**Credit Agreement**") wherein certain credit facilities were made available by the Bank to the Borrowers, subject to the terms and conditions therein. Unless otherwise specified, capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

We also refer to the guarantee dated May 29, 2015 by the Canadian Borrower in respect of the Obligations of the US Borrower under the Credit Agreement. Pursuant to the terms of the guarantee, the Canadian Borrower has guaranteed payment on demand of all present and future debts and liabilities owing by the US Borrower to the Bank, together with interest thereon from the date of demand (the "**Canadian Borrower Guaranteed Indebtedness**"). We also refer to the guarantee dated May 29, 2015 by the US Borrower in respect of the Obligations of the Canadian Borrower under the Credit Agreement. Pursuant to the terms of the guarantee, the US Borrower has guaranteed payment on demand of all present and future debts and liabilities owing by the Canadian Borrower to the Bank, together with interest thereon from the date of demand (together with the Canadian Borrower Guaranteed Indebtedness, the "**Guaranteed Indebtedness**").

The Bank holds certain security and related documents in respect of the Borrowers' indebtedness to the Bank, including a general security agreement dated May 29, 2015 by the Canadian Borrower and a security agreement dated May 29, 2015 by the US Borrower (collectively, the "**Security**").

The Borrowers are in default under the Credit Agreement and the other Credit Documents, which defaults constitute one or more Events of Default under the Credit Documents. As a result, pursuant to the Credit Agreement, the Bank is entitled to exercise any and all rights and remedies under the Credit Agreement, the security documents and/or applicable law and hereby declares that all of the Obligations of the Borrowers have become immediately due and payable.

As of April 10, 2019, the Borrowers are indebted or otherwise liable to the Bank in the amount of CAD\$778,054.42 and US\$21,798,505.58, each inclusive of interest to April 10, 2019, but excluding any costs and expenses (including, without limitation, legal fees and expenses) incurred to date and that will be incurred after the date hereof and additional interest from and after April 10, 2019 to which the Bank is entitled under the Credit Agreement and the other Credit Documents (collectively, the "**Indebtedness**"). The Indebtedness and the Guaranteed Indebtedness is secured by, *inter alia*, the Security.

On behalf of the Bank, we hereby demand the immediate payment of the Indebtedness and the Guaranteed Indebtedness in full by the Borrowers. Payment of the Indebtedness and the Guaranteed Indebtedness is to be made forthwith. If payment is not made forthwith, the Bank intends to take such steps as are necessary or appropriate to obtain payment thereof, including, without limitation, the enforcement of the Security. In this regard, we enclose a Notice of Intention to Enforce Security pursuant to section 244(1) of the *Bankruptcy and Insolvency Act* (Canada).

Yours very truly,



Alex MacFarlane

Encl.

cc: Bank of Montreal (with attachments by email)

TOR01: 7444254: v7

Tab T

THIS IS EXHIBIT "T" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME
ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

Alex MacFarlane
T 416.367.6305
F 416.367.6749
AMacFarlane@blg.com

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada M5H 4E3
T 416.367.6000
F 416.367.6749
blg.com



April 12, 2019

Delivered by Courier and Registered Mail

Private and Confidential

Best Made Toys Holding LLC
2711 Centerville Road, Suite 400
Wilmington, Delaware, New Castle
County
USA 19808

c/o Best Made Toys LLC
350 West 53rd Street, Suite 7E
New York, New York
USA 10019

Attention: Naveed Manzoor, Director

Dear Sir:

Re: Guarantee in respect of the Obligations of Best Made Toys International, ULC (the "Canadian Borrower") and Best Made Toys LLC (the "US Borrower" and together with the Canadian Borrower, the "Borrowers") to Bank of Montreal and Bank of Montreal, acting through its Chicago Branch (together with Bank of Montreal, the "Bank")

We are the lawyers for the Bank in connection with above-captioned matters.

We refer to the credit agreement dated October 4, 2018 entered into between, *inter alios*, the Borrowers, as borrowers, and the Bank, as lender (the "**Credit Agreement**") wherein certain credit facilities were made available by the Bank to the Borrowers, subject to the terms and conditions therein. Unless otherwise specified, capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

We also refer to the guarantee dated May 29, 2015 (the "**Guarantee**") by you in respect of the Borrowers' Obligations under the Credit Agreement. Pursuant to the terms of the Guarantee, you have guaranteed payment on demand of all present and future debts and liabilities owing by the Borrowers to the Bank, together with interest thereon from the date of demand (the "**Guaranteed Indebtedness**").

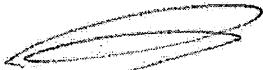
The Bank holds certain security and related documents in respect of the Borrowers' indebtedness to the Bank, including a security agreement dated May 29, 2015 (collectively, the "**Security**").

As of April 10, 2019, the Borrowers are indebted or otherwise liable to the Bank in the amount of CAD\$778,054.42 and US\$21,798,505.58, each inclusive of interest to April 10, 2019, but excluding any costs and expenses (including, without limitation, legal fees and expenses) incurred to date and that will be incurred after the date hereof and additional interest from and after April 10, 2019 to which the Bank is entitled under the Credit Agreement and the other Credit Documents (collectively, the "**Indebtedness**"). The Indebtedness and the Guaranteed Indebtedness is secured by, *inter alia*, the Security.

The Bank has demanded repayment of the Obligations under the Credit Agreement from the Borrowers. Enclosed herewith is a copy of the demand letter, together with Notices of Intention to Enforce Security pursuant to section 244(1) of the *Bankruptcy and Insolvency Act* (Canada) that were sent to the Borrowers.

On behalf of the Bank we hereby demand payment from you pursuant to the Guarantee of the Guaranteed Indebtedness, together with all costs and fees incurred by the Bank and all interest accruing up to and including the date of payment, in accordance with the terms therein. Payment of the Guaranteed Indebtedness is to be made forthwith. If payment is not made forthwith, the Bank intends to take such steps as are necessary or appropriate to obtain payment thereof, including, without limitation, the enforcement of the Security. In this regard, we enclose a Notice of Intention to Enforce Security pursuant to section 244(1) of the *Bankruptcy and Insolvency Act* (Canada).

Yours very truly,



Alex MacFarlane

Encl.

cc: Bank of Montreal (with attachments by email)

TOR01: 7445542: v6

Tab U

THIS IS EXHIBIT "U" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME
ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

Alex MacFarlane
T 416.367.6305
F 416.367.6749
AMacFarlane@blg.com

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada M5H 4E3
T 416.367.6000
F 416.367.6749
blg.com



April 12, 2019

Delivered by Courier and Registered Mail

Private and Confidential

Best Made Toys Global Enterprises Limited
c/o Best Made Toys LLC
350 West 53rd Street, Suite 7E
New York, New York
USA 10019

Attention: Scott Johnson

Dear Sir:

Re: Guarantee in respect of the Obligations of Best Made Toys International, ULC (the "Canadian Borrower") and Best Made Toys LLC (the "US Borrower" and together with the Canadian Borrower, the "Borrowers") to Bank of Montreal and Bank of Montreal, acting through its Chicago Branch (together with Bank of Montreal, the "Bank")

We are the lawyers for the Bank in connection with above-captioned matters.

We refer to the amended and restated credit agreement dated October 4, 2018 entered into between, *inter alios*, the Borrowers, as borrowers, and the Bank, as lender (the "**Credit Agreement**") wherein certain credit facilities were made available by the Bank to the Borrowers, subject to the terms and conditions therein. Unless otherwise specified, capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

We also refer to the guarantee dated May 29, 2015 (the "**Guarantee**") by you in respect of the Borrowers' Obligations under the Credit Agreement. Pursuant to the terms of the Guarantee, you have guaranteed payment on demand of all present and future debts and liabilities owing by the Borrowers to the Bank, together with interest thereon from the date of demand (the "**Guaranteed Indebtedness**").

The Bank holds certain security and related documents in respect of the Borrowers' indebtedness to the Bank, including a debenture dated May 29, 2015 and a share charge dated May 29, 2015 (collectively, the "**Security**").

As of April 10, 2019, the Borrowers are indebted or otherwise liable to the Bank in the amount of CAD\$778,054.42 and US\$21,798,505.58, each inclusive of interest to April 10, 2019, but excluding any costs and expenses (including, without limitation, legal fees and expenses) incurred to date and that will be incurred after the date hereof and additional interest from and after April 10, 2019 to which the Bank is entitled under the Credit Agreement and the other Credit Documents (collectively, the "**Indebtedness**"). The Indebtedness and the Guaranteed Indebtedness is secured by, *inter alia*, the Security.

The Bank has demanded repayment of the Obligations under the Credit Agreement from the Borrowers. Enclosed herewith is a copy of the demand letter, together with Notices of Intention to Enforce Security pursuant to section 244(1) of the *Bankruptcy and Insolvency Act* (Canada) that were sent to the Borrowers.

On behalf of the Bank, we hereby demand payment from you pursuant to the Guarantee of the Guaranteed Indebtedness, together with all costs and fees incurred by the Bank and all interest accruing up to and including the date of payment, in accordance with the terms therein. Payment of the Guaranteed Indebtedness is to be made forthwith. If payment is not made forthwith, the Bank intends to take such steps as are necessary or appropriate to obtain payment thereof, including, without limitation, the enforcement of the Security.

Yours very truly,



Alex MacFarlane

Encl.

cc: Bank of Montreal (with attachments by email)

TOR01: 7445568: v5

Tab V

THIS IS EXHIBIT "V" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

NOTICE OF INTENTION TO ENFORCE SECURITY
(Subsection 244(1) of the *Bankruptcy and Insolvency Act*)

TO: Best Made Toys International, ULC, an insolvent person
355 Burrard Street, Suite 1800 350 West 53rd Street, Suite 7E
Vancouver, British Columbia New York, New York
V6C 2G8 USA 10019

TAKE NOTICE THAT:

1. Bank of Montreal, as Lender, a secured creditor, intends to enforce its security on the property of the insolvent person described below:

All of the present and future personal property, assets and undertaking of the insolvent person.

2. The security that is to be enforced is in the form of:
 - (a) General Security Agreement dated May 29, 2015;
 - (b) Guarantee dated May 29, 2015;
 - (c) Agreement as to Loans and Advances and Security dated May 29, 2015;
 - (d) Security under Section 427(1) of the Bank Act dated May 29, 2015;
 - (e) Notice of Registration under Section 427(1) of the Bank Act dated May 25, 2015;
 - (f) Assignment of Insurance dated May 29, 2015; and
 - (g) such further and other security as may be held by Bank of Montreal, as Lender.
3. The total amount of indebtedness secured by the security as of April 10, 2019 is the sum of CAD\$778,054.42 and US\$21,798,505.58, plus costs and interest to the date of payment.
4. The secured creditor will not have the right to enforce the security until after the expiry of the 10-day period after this Notice is sent, unless the insolvent person consents to an earlier enforcement.

DATED at Toronto, Ontario this 12th day of April, 2019.

**Bank of Montreal as Lender, by its
lawyers, Borden Ladner Gervais LLP**

Per: 

Alex MacFarlane

TO: Bank of Montreal, as Lender

Best Made Toys International, ULC hereby acknowledges receipt of the Notice of Intention to Enforce Security delivered by Bank of Montreal, as Lender and hereby waives the time period provided therein and consents to the immediate enforcement of the security.

DATED at Toronto this 12th day of April, 2019.

**BEST MADE TOYS INTERNATIONAL,
ULC**

Per: Naveed Z. Manzoor
Name: Naveed Z. Manzoor
Title: Director

I am authorized to bind the company

TOR01: 7444575: v1

Tab W

THIS IS EXHIBIT "W" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

NOTICE OF INTENTION TO ENFORCE SECURITY
(Subsection 244(1) of the *Bankruptcy and Insolvency Act*)

TO: Best Made Toys LLC, an insolvent person 355 Burrard Street, Suite 1800 Vancouver, British Columbia V6C 2G8	350 West 53 rd Street, Suite 7E New York, New York USA 10019
--	---

TAKE NOTICE THAT:

1. Bank of Montreal, as Lender, a secured creditor, intends to enforce its security on the property of the insolvent person described below:

All of the present and future personal property, assets and undertaking of the insolvent person.
2. The security that is to be enforced is in the form of:
 - (a) Security Agreement dated May 29, 2015;
 - (b) Guarantee dated May 29, 2015;
 - (c) Deposit Account Control Agreement dated May 29, 2015;
 - (d) Assignment of Insurance dated May 29, 2015; and
 - (e) such further and other security as may be held by Bank of Montreal, as Lender.
3. The total amount of indebtedness secured by the security as of April 10, 2019 is the sum of CAD\$778,054.42 and US\$21,798,505.58, plus costs and interest to the date of payment.
4. The secured creditor will not have the right to enforce the security until after the expiry of the 10-day period after this Notice is sent, unless the insolvent person consents to an earlier enforcement.

DATED at Toronto, Ontario this 12th day of April, 2019.

**Bank of Montreal as Lender, by its
lawyers, Borden Ladner Gervais LLP**

Per: 

Alex MacFarlane

TO: Bank of Montreal, as Lender

Best Made Toys LLC hereby acknowledges receipt of the Notice of Intention to Enforce Security delivered by Bank of Montreal, as Lender and hereby waives the time period provided therein and consents to the immediate enforcement of the security.

DATED at Toronto this 12th day of April, 2019.

BEST MADE TOYS LLC

Per: Naveed Z. Manzoor

Name: Naveed Z. Manzoor

Title: Director

I am authorized to bind the company

TOR01: 7445300: v1

Tab X

THIS IS EXHIBIT "X" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME

ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

NOTICE OF INTENTION TO ENFORCE SECURITY
(Subsection 244(1) of the *Bankruptcy and Insolvency Act*)

TO: Best Made Toys Holding LLC, an insolvent person
2711 Centerville Road, Suite 400 350 West 53rd Street, Suite 7E
Wilmington, Delaware, New Castle County New York, New York
USA 19808 USA 10019

TAKE NOTICE THAT:


1. Bank of Montreal, as Lender, a secured creditor, intends to enforce its security on the property of the insolvent person described below:

All of the present and future personal property, assets and undertaking of the insolvent person.
2. The security that is to be enforced is in the form of:
 - (a) Security Agreement dated May 29, 2015;
 - (b) Guarantee dated May 29, 2015;
 - (c) Deposit Account Control Agreement dated May 29, 2015;
 - (d) Assignment of Insurance dated May 29, 2015; and
 - (e) such further and other security as may be held by Bank of Montreal, as Lender.
3. The total amount of indebtedness secured by the security as of April 10, 2019 is the sum of CAD\$778,054.42 and US\$21,798,505.58, plus costs and interest to the date of payment.
4. The secured creditor will not have the right to enforce the security until after the expiry of the 10-day period after this Notice is sent, unless the insolvent person consents to an earlier enforcement.

DATED at Toronto, Ontario this 12th day of April, 2019.

**Bank of Montreal as Lender, by its
lawyers, Borden Ladner Gervais LLP**

Per:

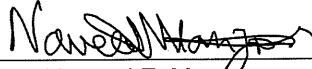

Alex MacFarlane

TO: Bank of Montreal, as Lender

Best Made Toys Holding LLC hereby acknowledges receipt of the Notice of Intention to Enforce Security delivered by Bank of Montreal, as Lender and hereby waives the time period provided therein and consents to the immediate enforcement of the security.

DATED at Toronto this 12th day of April, 2019.

BEST MADE TOYS HOLDING LLC

Per: 
Name: Naveed Z. Manzoor
Title: Director

I am authorized to bind the company

TOR01: 7445325: v1

Tab Y

THIS IS EXHIBIT "Y" TO THE AFFIDAVIT
OF ROBERT A. KIEFER SWORN BEFORE ME
ON THIS 23RD DAY OF APRIL, 2019



A Commissioner for Taking Affidavits

Tyler Mondor McNaughton, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires June 10, 2019.

Court File No.

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

B E T W E E N:

BANK OF MONTREAL

Applicant

- and -

**BEST MADE TOYS INTERNATIONAL, ULC, BEST MADE TOYS LLC,
BEST MADE TOYS GLOBAL ENTERPRISES LIMITED and BEST MADE TOYS
HOLDING LLC**

Respondents

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION
243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3,
AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*,
R.S.O. 1990, c. C.43, AS AMENDED

**CONSENT
(Appointment of Receiver)**

Deloitte Restructuring Inc. hereby consents to act as the court-appointed receiver of the assets, properties and undertaking of Best Made Toys International, ULC, Best Made Toys LLC, Best Made Toys Global Enterprises Limited and Best Made Toys Holding LLC in accordance with an order substantially in the form requested by the Applicant.

April 22, 2019

DELOITTE RESTRUCTURING INC.

By: Jorden Sleeth
Name: Jorden Sleeth
Title: Senior Vice President

Court File No.

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED

BANK OF MONTREAL

- and -

BEST MADE TOYS INTERNATIONAL, ULC, BEST MADE TOYS LLC, BEST MADE TOYS GLOBAL ENTERPRISES LIMITED and BEST MADE TOYS HOLDING LLC

Applicant

Respondents

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

CONSENT
(Appointment of Receiver)

BORDEN LADNER GERVAIS LLP

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON M5H 4E3
Tel: (416) 367-6000
Fax: (416) 367-6749

Alex MacFarlane – LSO No. 28133Q

Tel: (416) 367-6305
Email: amacfarlane@blg.com

Bevan Brooksbank – LSO No. 56717U

Tel: (416) 367-6604
Email: bbrooksbank@blg.com

Lawyers for the Applicant

Tab 3

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

THE HONOURABLE
JUSTICE

)
)
)

THURSDAY, THE 25TH

DAY OF APRIL, 2019

B E T W E E N:

BANK OF MONTREAL

Applicant

- and -

**BEST MADE TOYS INTERNATIONAL, ULC, BEST MADE TOYS LLC,
BEST MADE TOYS GLOBAL ENTERPRISES LIMITED and BEST MADE TOYS
HOLDING LLC**

Respondents

**IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION
243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3,
AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*,
R.S.O. 1990, c. C.43, AS AMENDED**

**ORDER
(Appointing Receiver)**

THIS APPLICATION made by Bank of Montreal ("**BMO**") for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing Deloitte Restructuring Inc. as receiver and manager (the "**Receiver**") without security, of all of the property, assets and undertaking of Best Made Toys International, ULC, Best Made Toys LLC, Best Made Toys Global Enterprises Limited and Best Made Toys Holding LLC (collectively the "**Debtors**" or "**BMT**") acquired for, or used in relation to the business

carried on by the Debtors, wherever situate, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Robert Kiefer sworn April 23, 2019 and the Exhibits thereto, (the "**Kiefer Affidavit**") and the Pre-Filing Report of Deloitte Restructuring Inc. dated April 23, 2019 (the "**Pre-Filing Report**") in its capacity as proposed Receiver, and on hearing the submissions of counsel for BMO, the Debtors and the proposed Receiver, no one appearing for any other party although duly served as appears from the affidavits of service of Mariela Adriana Gasparini sworn April 23, 2019 and on reading the consent of Deloitte Restructuring Inc. to act as the Receiver,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA and section 101 of the CJA, Deloitte Restructuring Inc. is hereby appointed Receiver, without security, of all of the property, assets and undertaking of the Debtors of every nature and kind whatsoever and wherever situate, acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the "**Property**").

RECEIVER'S POWERS

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate and to carry on the business of the Debtors, including the power to enter in to any agreements, incur any obligations in the ordinary course of business, to cease to carry on all or any part of the business, or cease to perform any contracts of the Debtors;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- (g) to settle, extend or compromise any indebtedness owing to, or by the Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtors, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter

instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and otherwise engaging in, or continuing the Sale and Investor Solicitation Process (the “SISP”) as described in the Kiefer Affidavit and the Pre-Filing Report, and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$1,00,000 provided that the aggregate consideration for all such transactions does not exceed \$3,500,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* shall not be required.

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors;
- (q) to exercise any shareholder, partnership, joint venture or other rights, or powers which the Debtors may have;
- (r) to execute an assignment into bankruptcy, assigning the Debtors into bankruptcy, or to consent to an application for the making of a bankruptcy order against the Debtors; and,
- (s) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. **THIS COURT ORDERS** that (i) the Debtors, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, partnerships, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant

immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. **THIS COURT ORDERS** that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled

to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days' notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

9. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. **THIS COURT ORDERS** that all rights and remedies against the Debtors, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtors to carry on any business which the Debtors is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. **THIS COURT ORDERS** that no Person shall discontinue, suspend, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract,

agreement, licence or permit in favour of, for the benefit of, or held by the Debtors, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

13. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. **THIS COURT ORDERS** that all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related

liabilities, or compensation, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, or otherwise, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

15. **THIS COURT ORDERS** that, pursuant to clause 7(3) (c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall be permitted to disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

16. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable

Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

17. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver at law, by section 14.06 of the BIA or by any other applicable legislation.

RETENTION OF COUNSEL

18. **THIS COURT ORDERS** that the Receiver may retain solicitors to represent and advise the Receiver in connection with the exercise of the Receiver's powers and duties including, without limitation, those conferred by this Order. Such solicitors may include Borden Ladner Gervais LLP, solicitors for the Applicant herein, in respect of any matter where there is no conflict of interest. The Receiver shall, however, retain independent solicitors in respect of any legal advice or services where a conflict exists, or may arise.

RECEIVER'S ACCOUNTS

19. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, (including statutory, deemed and constructive trusts), liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

20. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

21. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

22. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$2,000,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

23. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

24. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as **Schedule "A"** hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

25. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

26. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following '<http://www.insolvencies.deloitte.ca>'.

27. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the Debtors and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

28. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

29. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtors.

30. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Hong Kong, or in the People's Republic of China to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

31. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

32. **THIS COURT ORDERS** that the Applicant shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtors' estate with such priority and at such time as this Court may determine.

33. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than two (2) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Deloitte Restructuring Inc., the receiver and manager (the "**Receiver**") of the property, assets and undertaking of Best Made Toys International, ULC, Best Made Toys LLC, Best Made Toys Global Enterprises Limited and Best Made Toys Holdings LLC (collectively the "**Debtors**") or acquired for, or used in relation to the business carried on by the Debtors, wherever situate, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 25th day of April, 2019 (the "**Order**") made in an application having Court file number ___-CL-_____, and has received as the Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$_____, being part of the total principal sum of \$_____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily] [monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself and its counsel out of such Property in respect of their remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver

to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

DELOITTE RESTRUCTURING INC., solely
in its capacity as receiver and manager of Best
Made Toys International, ULC, Best Made Toys
LLC, Best Made Toys Global Enterprises
Limited and Best Made Toys Holdings LLC and
not in its personal or corporate capacity

Per: _____

Name:

Title:

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED

BANK OF MONTREAL

- and -

BEST MADE TOYS INTERNATIONAL, ULC et al.

Applicant

Respondents

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
PROCEEDINGS COMMENCED AT TORONTO

ORDER
(Appointing Receiver)

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IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED

BANK OF MONTREAL

- and -

BEST MADE TOYS INTERNATIONAL, ULC, BEST MADE TOYS LLC, BEST MADE TOYS GLOBAL ENTERPRISES LIMITED and BEST MADE TOYS HOLDING LLC

Applicant

Respondents

**ONTARIO
SUPERIOR COURT OF JUSTICE
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**APPLICATION RECORD
(Returnable April 25, 2019)**

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