

KIK HOLDCO COMPANY

as Borrower

and

THE OTHER ENTITIES LISTED

ON THE SIGNATURE PAGES

as Guarantors

and

THE FINANCIAL INSTITUTIONS LISTED

ON THE SIGNATURE PAGES

as Lenders

and

TD SECURITIES

as Lead Arranger and Book Manager

and

THE TORONTO-DOMINION BANK

as Administrative Agent

and

**NATIONAL BANK FINANCIAL INC., and
BANK OF MONTREAL, CHICAGO BRANCH**

as Syndication Agent

SECOND AMENDED AND RESTATED

CREDIT AGREEMENT

May 17, 2005

GOODMANS LLP

and

OSLER, HOSKIN & HARCOURT LLP

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SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Second Amended and Restated Credit Agreement dated May 17, 2005 among **KIK HOLDCO COMPANY**, as borrower (the “**Borrower**”), the other entities listed on the signature pages, as guarantors (the “**Guarantors**”), the financial institutions listed on the signature pages, as lenders (the “**Lenders**”), **THE TORONTO-DOMINION BANK**, as administrative agent (the “**Administrative Agent**”).

WHEREAS:

- A.** Canadian Imperial Bank of Commerce, National Bank of Canada, the Borrower and the Guarantors entered into a credit agreement dated August 23, 2002, as amended by agreements dated September 23, 2002, October 1, 2002 and January 27, 2003 (collectively, the “**Original Credit Agreement**”), which provided for, among other things, an Operating Facility and a Term Facility (in each case as hereinafter defined);
- B.** the Original Credit Agreement was amended and restated by the parties thereto pursuant to an amended and restated credit agreement dated November 19, 2003 (the “**Original Amended and Restated Credit Agreement**”);
- C.** the Amended and Restated Credit Agreement was amended by amending agreements (the “**Amending Agreements**”) dated March 31, 2004, April 7, 2004, January 13, 2005, January 25, 2005 and March 30, 2005 (the Original Amended and Restated Credit Agreement as so amended by the Amending Agreements, the “**Amended and Restated Credit Agreement**”);
- D.** Canadian Imperial Bank of Commerce, as Administrative Agent and The Toronto-Dominion Bank entered into that certain assignment agreement dated May 17, 2005 pursuant to which Canadian Imperial Bank of Commerce resigned as Administrative Agent and The Toronto-Dominion Bank was appointed as the successor Administrative Agent;
- E.** the Borrower has requested that the Lenders amend and restate the Amended and Restated Credit Agreement to increase the amount of the Operating Facility and to provide the Borrower with certain additional credit facilities; and
- F.** accordingly, the parties hereto have agreed to amend and restate the Amended and Restated Credit Agreement as follows:

ARTICLE 1 INTERPRETATION

1.1 Defined Terms.

As used in this Agreement, the following terms have the following meanings:

“**Accommodation**” means (i) an Advance made by a Lender on the occasion of any Borrowing, and (ii) the issue of a Documentary Credit by a Lender on the occasion of any Issue (each of which is a “**Type**” of Accommodation).

“**Accommodation Notice**” means a Borrowing Notice, an Issue Notice or an Election Notice, as the case may be.

“**Accommodations Outstanding**” means, in relation to the Borrower and any Lender at any time under a Credit Facility, an amount equal to the sum of (i) the aggregate principal amount of all outstanding Advances made by the Lender, and (ii) the portion of the aggregate Face Amount of all Documentary Credits for which the Lender is contingently liable; and in relation to the Borrower and all Lenders means the sum of the Accommodations Outstanding to each Lender.

“**Acknowledgements and Confirmations**” means the acknowledgements and confirmations of security of even date herewith executed by the Borrower, each Guarantor and each Credit Party in favour of the Administrative Agent and the Lenders.

“**Acquisition Agreement**” means the acquisition agreement dated August 22, 2002 among the Vendors (as defined in the Prospectus) and KIK Acquisition pursuant to which KIK Acquisition acquired all of the issued and outstanding shares of KIK Corporation Holdings Inc. from the Vendors.

“**Administrative Agent**” means the Toronto-Dominion Bank in its capacity as Administrative Agent for the Lenders under the Credit Documents, and any successor appointed pursuant to Section 9.14.

“**Administration Agreement**” means the administration agreement dated August 23, 2002 among KCP Fund, KOT, KLP Holdco, KLP and KIK GenPar, pursuant to which KIK GenPar will provide all administrative and support services required by KCP Fund, KOT and KLP Holdco.

“**Advances**” means advances made by a Lender pursuant to Article 3 and “**Advance**” means any one of such advances. An Advance made under the Operating Facility is designated an “**Operating Advance**”. An Advance made under the Swingline Facility is designated a “**Swingline Advance**”. An Advance made under the Term Facility is designated a “**Term Advance**”. Each of a LIBOR Rate Advance and a Base Rate (Canada) Advance is a “**Type**” of Advance.

“**Adverse Effect**” shall mean one or more of (i) impairment of the quality of the environment for any use that can be made of it; (ii) injury or damage to property or to plant or animal life; (iii) harm or material discomfort to any Person; (iv) an adverse effect on the health of any Person; (v) impairment of the safety of any Person; (vi) rendering any property or plant or animal life unfit for human use; (vii) loss of enjoyment of normal use of property; and (viii) interference with the normal conduct of business, in each case, to the extent in excess of levels or amounts permitted by applicable Environmental Laws.

“**Affiliate**” or “**affiliate**” has the meaning specified in the *Business Corporations Act* (Ontario) on the date of this Agreement.

“**Agreement**” means this second amended and restated credit agreement and all schedules thereto, and the expressions “**Article**” and “**Section**” followed by a number mean and refer to the specified Article or Section of this Agreement.

“Annual Operating Budget” means, for any Financial Year, (i) the detailed consolidated balance sheet, consolidated income statement and statement of retained earnings and consolidated statement of cash flows of the Borrower and its Subsidiaries for each Financial Quarter of such Financial Year and for such Financial Year prepared in accordance with GAAP with reference to the operating plan for the Borrower and its Subsidiaries for each Financial Quarter of such Financial Year and for such Financial Year, approved by the board of directors of the Borrower and supported by explanations, notes or other information; and (ii) a capital expenditure program setting forth the nature and type of Capital Expenditures proposed to be made in such Financial Year.

“Anti-Terrorism Law” shall mean any laws relating to terrorism or money laundering, including Executive Order No. 13224, the USA Patriot Act, the laws comprising or implementing the Bank Secrecy Act, and the laws administered by the United States Treasury Department’s Office of Foreign Asset Control (as any of the foregoing laws may from time to time be amended, renewed, extended, or replaced).

“Applicable Base Rate (Canada) Margin” means, at any time, the margin in basis points set forth and defined in Schedule 5 in the column **“Base Rate Canada Advances”** corresponding to the Consolidated Leverage Ratio at such time.

“Applicable Commitment Fee” means, at any time, the commitment fee in basis points set forth and defined in Schedule 5 in the column **“Commitment Fee”** corresponding to the Consolidated Leverage Ratio at such time.

“Applicable L/C Margin” means, at any time, the margin in basis points set forth and defined in Schedule 5 in the column **“LC Margin”** corresponding to the Consolidated Leverage Ratio at such time.

“Applicable LIBOR Rate Margin” means, at any time, the margin in basis points set forth and defined in Schedule 5 in the column **“LIBOR Advances”** corresponding to the Consolidated Leverage Ratio at such time.

“Applicable Margins” means, collectively, the Applicable Base Rate (Canada) Margin, the Applicable L/C Margin, the Applicable LIBOR Rate Margin and the Applicable Commitment Fee.

“Arm’s length” has the meaning specified in the *Income Tax Act* (Canada) on the date of this Agreement.

“Assignee” has the meaning specified in Section 11.7(3).

“Base Rate (Canada)” means, at any time, the rate of interest per annum equal to the greater of (i) the rate which the principal office of the Administrative Agent in Toronto, Ontario announces from time to time as the reference rate of interest for loans in U.S. Dollars to its Canadian borrowers, and (ii) the Federal Funds Rate plus 1%, adjusted automatically with each change in such rates all without the necessity of any notice to the Borrower or any other Person.

“Beneficiary” means, in respect of any Documentary Credit, the beneficiary named in the Documentary Credit.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrower” means, at any time, KIK Holdco and its successors and permitted assigns.

“Borrower's Account” means the Borrower's U.S. Dollar account maintained by the Administrative Agent at its principal office, the particulars of which shall have been notified by the Administrative Agent to the Borrower.

“Borrowing” means a borrowing consisting of one or more Advances.

“Borrowing Base” means, at any time, the sum of (i) 80% of the aggregate value of Eligible Accounts Receivable of the Borrower and each of its Subsidiaries, and (ii) the lesser of (x) 50% of the aggregate value (computed at the lower of cost (in accordance with the past practices of the Borrower, its predecessors and its Subsidiaries) and current market value) of Eligible Inventory of the Borrower and each of its Subsidiaries, and (y) 50% of Accommodations Outstanding under the Operating Facility, less (iii) Priority Accounts Payable, at such time.

“Borrowing Base Certificate” means a certificate of the Borrower, substantially in the form of Schedule 6, mathematically computing the Borrowing Base and signed on behalf of the Borrower by its chief financial officer or any other officer acceptable to the Administrative Agent.

“Borrowing Notice” has the meaning specified in Section 3.2.

“Buildings and Fixtures” means all plant, buildings, structures, erections, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment) situate on any of the Subject Properties.

“Business” means (i) the production, distribution and sale of private label household bleach and other private label household cleaning and laundry products to retail stores, institutional and industrial suppliers and national brand manufacturers, in each case, as such business is carried on in North America and whether delivery of such products is in a form that is liquid, disinfectant wipes, powders, aerosol or otherwise; (ii) the contract manufacturing of any such products, food products and/or complimentary products for branded companies; (iii) providing liquid compounding and filling services to marketers of non-durable consumer packaged goods serving the personal care, oral care, over-the-counter pharmaceutical and household markets; and (iv) any activities that are incidental or ancillary to any of the foregoing.

“Business Day” means any day of the year, other than a Saturday, Sunday or other day on which banks are required or authorized to close in Toronto, Ontario or New York, New York and, where used in the context of a LIBOR Rate Advance, also includes a day on which dealings are carried on in the London interbank market.

“Canadian Dollars” and **“Cdn. \$”** each means lawful money of Canada.

“Capital Expenditures” means expenditures of money or money's worth by the Borrower and its Subsidiaries incurred for the purchase, lease or acquisition of assets (other than current assets) required to be capitalized in accordance with GAAP.

“Capital Expenditures Reserve” means a reserve in the amount of \$10,500,000 in respect of the Borrower and its Subsidiaries for Capital Expenditures, such reserve being fully funded by the proceeds from the offering of units of KCP Fund and the Exchangeable Debentures.

“Capital Lease Obligations” means, for any Person, any obligation of such Person, as lessee, under an agreement for lease or rental of property that, in accordance with GAAP, would be required to be capitalized on the balance sheet of such Person.

“CCL Acquired Properties” means the real properties acquired in connection with the CCL Acquisition.

“CCL Acquisition” means the acquisition by the Borrower of certain assets from CCL Industries Inc. and the stock of CCL Custom Manufacturing, Inc. from CCL Industries Corporation, all as more particularly described in the CCL Acquisition Agreements.

“CCL Acquisition Agreements” means, collectively, the CCL Canadian Acquisition Agreement and the CCL U.S. Acquisition Agreement.

“CCL Canadian Acquisition Agreement” means the acquisition agreement dated April 20, 2005 between CCL Industries Inc and KOP.

“CCL U.S. Acquisition Agreement” means the acquisition agreement dated April 20, 2005 between CCL Industries Inc., CCL Industries Corporation and KIK International.

“CCL Security” has the meaning specified in Schedule 5A.

“Change of Control” means the occurrence of any of the following events: (i) any Person or group of Persons acting jointly or in concert including their Affiliates (other than the Senior Management Vendors) acquires more than 50% (on a fully diluted basis) of the economic and voting interests in the capital of KCP Fund or acquires the right to directly designate or nominate a majority of the trustees of KCP Fund; (ii) any Person other than KCP Fund acquires more than 50% (on a fully diluted basis) of the economic and voting interests in the capital of KOT or acquires the right to directly or indirectly designate or nominate the sole trustee or any of the trustees thereof; (iii) any Person other than KOT acquires more than 50% (on a fully diluted basis) of the economic and voting interests in the capital of KIK GenPar or acquires any of the economic and voting interests in the capital of KLP Holdco, or acquires the right to directly designate or nominate a majority of the board of directors of KIK GenPar or any director of KLP Holdco; (iv) any Person or group of Persons acting jointly or in concert including their Affiliates (other than KIK GenPar and KLP Holdco) acquires more than 50% (on a fully diluted basis) of the economic and voting interests in the capital of KLP; (v) any Person other than KLP acquires any of the economic and voting interests in the capital of KIK Acquisition or acquires the right to directly designate or nominate any director thereof; (vi) except as may be permitted pursuant to Section 7.2(c) hereof, any Person other than KIK Acquisition acquires any of the economic and voting interests in the capital of the Borrower, or acquires the right to directly designate or nominate any director thereof; (vii) any Person other than the Borrower, KOPH or KLP acquires any of the economic and voting interests in the capital of KOP; (viii) any Subsidiary of the Borrower (other than KOP and its Subsidiaries) ceases to be a wholly-owned Subsidiary of the Borrower; (ix) any Person other than KOP or a wholly-owned Subsidiary thereof acquires any of the economic and voting interests in the capital of any Subsidiary of KOP or acquires the right to

directly designate or nominate any director thereof (or person or persons performing a similar function); (x) except as may be permitted pursuant to Section 7.2(c) hereof, any sale, lease, exchange or other transfer (in one transaction or series of related transactions) of all or substantially all of the property and assets of any Credit Party, or (xi) the partners, shareholders or trustees, as the case may be, of any Credit Party approves any plan or proposal for the liquidation or dissolution of such Credit Party.

“**CIPO**” means the Canadian Intellectual Property Office.

“**Closing Date**” means the date of this Agreement.

“**Code**” means the Internal Revenue Code of the United States of America, as amended from time to time, and any successor statute.

“**Collateral**” means any and all property and assets in respect of which the Administrative Agent or any Lender has or will have a Lien pursuant to a Security Document.

“**Collateral Covenant Agreements**” means the collateral covenant agreements dated August 23, 2002 between each of KIK GenPar, KLP Holdco, KOT, KCP Fund and the Administrative Agent (as amended from time to time in accordance with this Agreement).

“**Commitment**” means, at any time, in respect of (i) the Operating Facility, \$45,000,000 (including the issuance of Documentary Credits and the Swingline Facility) (as reduced pursuant to Article 2, the “**Operating Commitment**”), (ii) the Swingline Facility, \$2,000,000, as a carve out of the Operating Commitment (the “**Swingline Commitment**”); and (iii) the Term Facility, \$85,000,000 (as reduced pursuant to Article 2, the “**Term Commitment**”), and a “**Lender's Operating Commitment**” and “**Lender's Term Commitment**” means, at any time, the relevant amount designated as such opposite the Lender's name on Schedule 10, as reduced from time to time pursuant to Article 2.

“**Compliance Certificate**” means a certificate of the Borrower substantially in the form of Schedule 8, signed on its behalf by its chief financial officer or any other officer acceptable to the Administrative Agent.

“**Consolidated Depreciation and Amortization Expense**” means, for any period, depreciation and amortization expenses of the Borrower and its Subsidiaries which reduce Consolidated Net Income for such period, determined on a consolidated basis in accordance with GAAP.

“**Consolidated EBITDA**” means, for any period, Consolidated Net Income (a) increased by the sum of (without duplication) (i) Consolidated Interest Charges, (ii) Consolidated Income Tax Expense, (iii) Consolidated Depreciation and Amortization Expense, (iv) all underwriting, agency, investment banking, legal and accounting fees incurred by the Borrower and its Subsidiaries in connection with the Refinancing Transaction; (v) all fees and expenses incurred in connection with the CCL Acquisition (including the issuance of additional units of KCP Fund, the Exchangeable Debentures and the Credit Facilities); (vi) non-cash items relating to consolidated foreign exchange losses on debt and related foreign exchange contracts decreasing Consolidated Net Income for such period; and (vii) any other non-cash items (including any restructuring charges that are not cash outlays in such period) decreasing Consolidated Net Income for such period, and (b) decreased to the extent included in calculating Consolidated Net

Income, by the sum of (without duplication) (i) non-cash items relating to consolidated foreign exchange gains on debt and related foreign exchange contracts increasing Consolidated Net Income for such period, (ii) any other non-cash items increasing Consolidated Net Income for such period, all as determined at such time in accordance with GAAP; and (iii) restructuring charges that are cash outlays in such period.

“Consolidated Income Tax Expense” means, for any period, the aggregate Income Tax Expense of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

“Consolidated Indebtedness” means, at any time in respect of the Borrower and its Subsidiaries, the sum of all Debt (other than the KIK Holdco Subordinated Debt) of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

“Consolidated Interest Charges” means, for any period, the aggregate Interest Charges of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

“Consolidated Leverage Ratio” means, at any time, the ratio of Consolidated Indebtedness to Consolidated EBITDA as reported on the most recently delivered Compliance Certificate.

“Consolidated Net Income” means, for any period, the net income (loss) of the Borrower and its Subsidiaries (calculated without deduction for any interest charges in respect of the KIK Holdco Subordinated Debt) determined on a consolidated basis in accordance with GAAP, excluding therefrom (without duplication) (i) after-tax gains or losses from asset sales or abandonments or reserves related thereto; (ii) after tax items classified as extraordinary or non-recurring gains or losses; and (iii) non-cash gains or losses from write-ups or write-downs of assets.

“Contaminant” shall mean any solid, liquid, gas, odour, heat, sound, vibration, radiation or combination of any of them resulting directly or indirectly from activities that may cause an Adverse Effect.

“Copyright Licenses” means any written agreement naming any Person as licensor or licensee, granting any right under any Copyright, including, without limitation, the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

“Copyrights” means (i) all copyrights arising under the laws of Canada, the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications with CIPO and the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

“Credit Documents” means this Agreement, the Mortgages, the other Security Documents, the Foreign Exchange and Hedging Arrangements, the Collateral Covenant Agreements, the Acknowledgements and Confirmations, the Intercreditor Agreement and all other letter agreements and documents to be executed and delivered to the Administrative Agent or the Lenders, or both, by the Borrower and/or the other Credit Parties.

“Credit Facilities” means the Operating Facility, the Swingline Facility and the Term Facility.

“Credit Parties” means, at any time, the Borrower, the Guarantors, KIK GenPar, KLP Holdco, KOT, KCP Fund and any Person who becomes a Credit Party after the date hereof, and the respective successors and assigns of each of the foregoing.

“Debt” means at any time in respect of any Person the sum of without duplication (i) all indebtedness of such Person for borrowed money (even though the rights and remedies of the holder of such indebtedness in the event of default may be limited to the foreclosure or sale of specific property), including obligations with respect to bankers’ acceptances (if any), commercial letters of credit, standby letters of credit or letters of guarantee; (ii) all indebtedness of such Person for the deferred purchase price of property or services represented by a note, bond, debenture or other evidence of Debt (but excluding amounts related to the arrangements in respect of the Tacoma, Washington location included in the Leased Properties, as such arrangements are described in notes 6 and 7 to the audited financial statements of the Borrower dated as of December 31, 2004); (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property) (but excluding amounts related to the arrangements in respect of the Tacoma, Washington location included in the Leased Properties, as such arrangements are described in notes 6 and 7 to the audited financial statements of the Borrower dated as of December 31, 2004); (iv) all current liabilities of such Person represented by a note, bond, debenture or other evidence of Debt; (v) all Capital Lease Obligations; (vi) the aggregate amount at which any shares, partnership interests, units or other securities in the capital of such Person which are redeemable or retractable at the option of the holder thereof may be retracted or redeemed; (vii) all Debt Guaranteed by such Person (which for purposes of computation, shall be deemed to have been called upon and funded); and (viii) the maximum amount of any of the amounts set forth in (i) through (vii) above which is directly or indirectly guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire, or in respect of which the Borrower or a Credit Party has otherwise guaranteed a creditor or other Person against loss (eliminating from such calculation where it is duplicative of another Person’s debt). For greater certainty, Debt excludes trade payables incurred in the ordinary course of business on standard commercial terms, future income taxes, accruals and other liabilities of a similar nature.

“Debt Guaranteed” by any Person means the maximum amount which may be outstanding at any time of all Debt of the kinds referred to in (i) through (v) of the definition of Debt which is directly or indirectly guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire, or in respect of which such Person has otherwise guaranteed a creditor or other Person against Loss.

“Default” means an event which, with the giving of notice or passage of time, or both, would constitute an Event of Default.

“Distributable Cash Flow Reserve” means, for any period, (a) the amount of undistributed Distributable Free Cash Flow for the 4 Financial Quarters preceding the commencement of such period, and (b) the net proceeds received by the Borrower in connection with the offering of units of KCP Fund or Exchangeable Debentures from the Closing Date identified by the

Borrower for purposes of this reserve and not otherwise Distributed by the Borrower during any prior period and otherwise available for Distributions during such period.

“Distributable Free Cash Flow” means, for any period, Consolidated EBITDA for such period, less Consolidated Interest Charges for such period, less interest charges in respect of the Exchangeable Debentures for such period, less cash income taxes of the Borrower and its Subsidiaries for such period less Capital Expenditures for such period, less (other than in respect of the Capital Expenditures Reserve) Maintenance Capital Expenditures for such period (other than those which are funded from Accommodations under the Operating Facility), less all regularly scheduled principal, capital lease or other permanent payments (unless contemporaneously refinanced by other Debt or equity) on account of Consolidated Indebtedness for such period, plus the Distributable Cash Flow Reserve in respect of such period.

“Distributable Free Cash Flow Compliance Certificate” means a certificate of the Borrower in form and content satisfactory to the Administrative Agent signed by the chief financial officer of the Borrower or any other officer acceptable to the Administrative Agent and detailing (i) the Distributable Cash Flow Reserve; (ii) all Distributions of Distributable Free Cash Flow for the previous 12 months (or such other period may be required to demonstrate compliance with Section 7.1(w)), and (iii) all calculations detailing the basis for determining the amount of such Distributions of Distributable Free Cash Flow.

“Distribution” and **“Distributed”** have the meaning specified in Section 7.2(h).

“Documentary Credit” means a standby letter of credit or letter of guarantee (each of which is a “Type” of Documentary Credit) issued hereunder or under the Original Credit Agreement or to be issued by the Issue Lender for the account of the Borrower pursuant to Article 4 as a carve out of the Operating Facility.

“Documentary Credit Deposit Amount” has the meaning specified in Section 4.10.

“Election Notice” has the meaning specified in Section 3.3(3).

“Eligible Account Receivable” means an account owing to the Borrower or any of its Subsidiaries in the ordinary course of its business which at all times satisfies each of the standards of eligibility set out in Schedule 7. Standards of eligibility may be fixed and revised from time to time by the Lenders upon 45 days' notice to the Borrower in the Lenders' reasonable discretion, based on conditions which the Lenders, acting reasonably, have determined could be expected to have an adverse effect on the value of the Collateral.

“Eligible Inventory” means, at any time, Inventory of the Borrower or any of its Subsidiaries (excluding work in progress) (i) which is not subject to the seller's priority right of reclamation to the extent of its priority pursuant to Section 2-702 of the Uniform Commercial Code (or its successor or similar provision) in the jurisdiction where it is located, (ii) which consists of those categories or types of Goods set out in Schedule 7, and (iii) which satisfies each of the standards of eligibility set out in Schedule 7. Standards of eligibility may be fixed and revised from time to time by the Lenders upon 45 days' notice to the Borrower in the Lenders' reasonable discretion, based on conditions which the Lenders, acting reasonably, have determined could be expected to have an adverse effect on the value of the Collateral.

“Environmental Laws” means all applicable Laws relating to human health or the protection of the environment or plant or animal life and all authorizations, permits, consents, registrations and approvals issued pursuant to such Laws.

“Environmental Liabilities” means all liabilities imposed by, under or pursuant to Environmental Laws which relate to the presence of Hazardous Materials at, on or under, or the escape, seepage, leakage, spillage, emission, release, discharge or likely discharge of Hazardous Materials from, the Subject Properties or any other properties or assets now, hereafter or previously owned, leased or used by or under the control or management of any Credit Party or any predecessor thereof.

“ERISA” means the *Employee Retirement Income Security Act* of 1974 of the United States of America, as amended from time to time and the rules and regulations promulgated thereunder, and any successor statute.

“ERISA Affiliate” means any entity (whether or not incorporated) that is under “common control” with the Borrower within the meaning of Section 4001 of ERISA and that is a member of a group of which the Borrower or any of its Affiliates is a member which is treated as a single employer under Section 414(b), (c), (m) or (o) of the Code or Title I or Title IV of ERISA.

“Event of Default” has the meaning specified in Section 8.1.

“Exchange Agreement” means the exchange agreement dated August 22, 2002 among KCP Fund, KLP, KOT and the other Persons party thereto pursuant to which holders of Exchangeable Units (as defined in the Exchange Agreement) can require KLP, KOT and KCP Fund to exchange each such Exchangeable Unit for a unit of KCP Fund.

“Exchangeable Debentures” means the exchangeable debentures issued by KIK Acquisition in the principle amount of \$80,000,000 pursuant to the indenture dated May 17, 2005 between KIK Acquisition and Computershare Trust Company of Canada, and any other convertible or exchangeable debentures from time to time issued by KIK Acquisition on substantially the same terms and conditions.

“Existing Documentary Credits” means the Documentary Credits issued by Canadian Imperial Bank of Commerce as described on Schedule 9.

“Face Amount” means, in respect of a Documentary Credit, the maximum amount which the issuing Person is contingently liable to pay to the Beneficiary.

“Federal Funds Rate” means, for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight United States Federal funds transactions with members of the Federal Reserve System arranged by United States Federal funds brokers, as published for the day (or, if the day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day on such transactions received by the Administrative Agent from three United States Federal funds brokers of recognized standing selected by it.

“**Fees**” means the Applicable Commitment Fee, the L/C Fronting Fee, the L/C Maintenance Fee and all other fees payable by the Borrower to the Lenders under this Agreement or otherwise.

“**Financial Assistance**” has the meaning specified in Section 7.2(i).

“**Financial Quarter**” means a period in each Financial Year ending at the end of each of the Borrower’s first, second, third and fourth financial quarters as determined by the Borrower’s internal accounting system of 4 weeks/4 weeks/5 weeks for each financial quarter provided, however, that the Financial Year shall end on December 31 of each Financial Year.

“**Financial Year**” means, in relation to the Borrower, its financial year commencing on January 1 of each calendar year and ending on December 31 of such year.

“**Foreign Exchange and Hedging Arrangements**” means the agreements under which the Lenders and/or their Affiliates provide to the Borrower foreign exchange rate and interest rate protection of the type contemplated in the International Swap Dealers Association Inc. Interest Rate and Currency Exchange Agreements in respect of foreign exchange rate and interest rate transactions in the ordinary course of the Borrower’s business.

“**GAAP**” means, at any time, accounting principles generally accepted in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants at the relevant time applied on a consistent basis.

“**Goods**” means tangible personal property but excluding chattel paper, documents of title, instruments, money and securities (as these terms are defined in the *Personal Property Security Act* (Ontario) from time to time).

“**Governmental Entity**” means any (i) multinational, federal, provincial, state, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing, or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.

“**Guaranteed Obligations**” means the obligations of the Guarantors pursuant to this Agreement and the Security Documents, whether arising by guarantee, indemnification or in or any other manner, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

“**Guarantors**” means, collectively, KIK Acquisition, KLP, KOPH, KOP, KIK International, KIK Nominee Inc., 3068072 Nova Scotia Company, KIK (Houston) Inc., KIK (SG) Holding LLC, KIK (Louisiana) Inc., KIK-NoCal Inc., KIK (Tacoma) Inc., KIK-SoCal Inc., KIK (Georgia) LLC, Hi-Lex LLC, Sewell Products of Florida, LLC, KIK (Virginia) LLC, KIK (Mississippi) LLC, KIK (Indianapolis) LLC, KIK (Denver) LLC, KIK Custom Products, Inc. (formerly known as CCL Custom Manufacturing, Inc.) and any Person who becomes a Guarantor after the date hereof, and the respective successors and assigns of each of the foregoing.

“**Hazardous Materials**” shall mean any contaminant, pollutant or waste (including, without limitation, asbestos, asbestos-containing materials, PCBs and radioactive substances) and any

substance that when released into the environment causes or is likely to cause at some immediate or future time, harm or degradation to the environment or risk to human health, in each case, to the extent in excess of levels or amounts permitted or prohibited by applicable Environmental Laws, and without restricting the generality of the foregoing, includes any Contaminant, pollutant, waste, hazardous waste or dangerous good as defined by applicable federal, provincial, state or municipal laws or regulations enacted for the protection of the environment, human health or plant or animal life.

“Hostile Take-Over Bid” shall mean a Take-Over Bid by any Credit Party or in which such party is involved, in respect of which the board of directors or shareholders (by resolution) of the target company has not recommended acceptance of such Take-Over Bid to the target company’s shareholders.

“Income Tax Expense” means, for the Borrower and its Subsidiaries for any period, the aggregate of all taxes paid or required to be paid by such Persons in such period based on income of such Persons or any other Persons in respect of income of such Persons, for such period, as determined in accordance with GAAP and the laws, rules and regulations relating to the calculation of such income taxes.

“Indemnified Person” has the meaning specified in Section 11.5(1).

“Insolvency” means, with respect to a Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

“Insolvent” means the condition of Insolvency.

“Intellectual Property” means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under the laws of Canada, the United States, multinational or foreign laws or otherwise, including, without limitation, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Intercreditor Acknowledgment Agreement” means the intercreditor acknowledgment dated the date hereof between the Borrower, Canadian Imperial Bank of Commerce, New York Agency, as assigning syndicate lender, The Toronto-Dominion Bank, as new intercreditor agent, The Canada Trust Company, as noteholder agent, and the Noteholders confirming the resignation of Canadian Imperial Bank of Commerce and the appointment of The Toronto-Dominion Bank as Intercreditor Agent.

“Intercreditor Agreement” means the intercreditor and proceeds sharing agreement dated November 19, 2003 among Canadian Imperial Bank of Commerce, as administrative agent under the Amended and Restated Credit Agreement, the Lenders, the Borrower, the Guarantors and the Noteholders as such agreement has been amended and confirmed pursuant to the Intercreditor Acknowledgement Agreement.

“Interest Charges” means, for the Borrower and its Subsidiaries and for any period, the aggregate amount of (i) interest in respect of Debt (other than the KIK Holdco Subordinated Debt), including for greater certainty the interest portion of any deferred payment obligation,

calculated in accordance with the effective interest method of accounting; and (ii) all but the principal component of rentals in respect of Capital Lease Obligations, paid or accrued by such Persons during such period, all determined in accordance with GAAP. For purposes of this definition, interest on Capital Lease Obligations shall be deemed to accrue at the interest rate specified in such lease, or, if no such rate is specified therein, at an interest rate reasonably determined in accordance with GAAP.

“Inventory” means all inventory now owned or hereafter acquired by the Borrower or an Affiliate, including (i) finished Goods, raw materials, new and unused production, packing and shipping supplies, (ii) work in progress, (iii) all new and unused maintenance items, and (iv) all other materials and supplies on hand to be used or consumed or which might be used or consumed in the manufacture, packing, shipping, advertising, selling, or furnishing of Goods.

“Issue” means an issue of a Documentary Credit by the Issue Lender pursuant to Article 4.

“Issue Date” has the meaning specified in Section 4.2(1).

“Issue Lender” means The Toronto-Dominion Bank, New York Branch in its capacity as the issuer of Documentary Credits for the account of the Borrower in accordance with Article 4, and, for so long as any Existing Letters of Credit remain outstanding, Canadian Imperial Bank of Commerce (in respect of the Existing Documentary Credits only).

“Issue Notice” has the meaning specified in Section 4.2(1).

“KCP Declaration of Trust” means the declaration of trust dated July 9, 2002 pursuant to which KCP Fund was created, as amended and restated by a declaration of trust dated August 23, 2002.

“KCP Fund” means KCP Income Fund, an unincorporated open-ended trust established under the laws of the Province of Ontario on July 9, 2002.

“KIK Acquisition” means KIK Acquisition Company, an unlimited liability company incorporated under the laws of the Province of Nova Scotia.

“KIK Debt” means the indebtedness of KIK Acquisition to KLP as evidenced by the KIK Note.

“KIK GenPar” means KIK GenPar Limited, a corporation incorporated under the laws of the Province of Ontario.

“KIK GenPar Shareholders Agreement” means the unanimous shareholders agreement dated August 23, 2002 among KOT, the other Persons party thereto and KIK GenPar to govern the business and affairs of KIK GenPar.

“KIK Holdco” means KIK Holdco Company, an unlimited liability company incorporated under the laws of the Province of Nova Scotia.

“KIK Holdco Note” means the subordinated promissory note of the borrower dated May 17, 2005 issued to KIK Acquisition (as such note may be amended or increased from time to time).

“KIK Holdco Subordinated Debt” means the indebtedness of the Borrower to KIK Acquisition from time to time outstanding pursuant to the KIK Holdco Note.

“KIK International” means KIK International LLC, a limited liability company formed under the laws of the State of Delaware.

“KIK Note” means the promissory note of KIK Acquisition dated August 23, 2002 issued to KLP and evidencing the KIK Debt (as such note may be increased or additional notes may be issued from time to time).

“KLP” means KIK Holdings Limited Partnership, a limited partnership established under the laws of the State of Delaware on August 13, 2002, the general partners of which are KIK GenPar and KLP Holdco.

“KLP Debt” means the indebtedness of KLP to KOT as evidenced by the KLP Loan Agreement.

“KLP Holdco” means KIK LP Holdings Inc., a corporation incorporated under the laws of the Province of Ontario.

“KLP Limited Partnership Agreement” means the amended and restated limited partnership agreement dated August 13, 2002 among KLP, KIK GenPar, KLP Holdco and the other persons party thereto to govern the business and affairs of KLP.

“KLP Loan Agreement” means the amended, restated and consolidated loan agreement dated May 17, 2005 between KLP as borrower and KOT as lender in respect of the KLP Debt (as such loan agreement may be further amended, restated or supplemented or the indebtedness thereunder increased).

“KLP Notes” means the promissory notes of KLP issued to KOT and evidencing the KLP Debt incurred pursuant to the KLP Loan Agreement (as such notes may be increased or additional notes may be issued from time to time).

“KOP” means KIK Operating Partnership, a general partnership established under the laws of the Province of Ontario on August 21, 2002, the partners of which are the Borrower, KLP and KOPH.

“KOP Partnership Agreement” means the partnership agreement dated as of August 21, 2002 among KIK Toronto Inc. (as predecessor (by amalgamation) to the Borrower), KIK GenPar, KOPH and KLP to govern the business and affairs of KOP.

“KOPH” means KOP Holdings Company, an unlimited liability company incorporated under the laws of the Province of Nova Scotia.

“KOT” means KIK Operating Trust, an unincorporated open-ended trust established under the laws of the Province of Ontario on August 13, 2002, all of the beneficial interest of which as of the date hereof is held by KCP Fund.

“KOT Debt” means the indebtedness of KOT to KCP Fund as evidenced by KOT Notes.

“KOT Declaration of Trust” means the declaration of trust dated August 13, 2002 pursuant to which KOT was created, as amended and restated by a declaration of trust dated August 23, 2002.

“KOT Note Indenture” means the indenture dated August 23, 2002 between KOT and Computershare Trust Company of Canada pursuant to which the KOT Notes are issued.

“KOT Notes” means the promissory notes of KOT issued in accordance with the KOT Note Indenture and evidencing the KOT Debt (as such notes may be increased or additional notes may be issued from time to time).

“Judicial Order” has the meaning specified in Section 4.9(1).

“Laws” means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards having the force of law, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and **“Law”** means any one of foregoing.

“L/C Fronting Fee” has the meaning specified in Section 4.8(1).

“L/C Maintenance Fee” has the meaning specified in Section 4.8(1).

“Leased Properties” means, collectively, the real properties forming the subject matter of the Leases.

“Leases” means the leases, subleases, rights to occupy and licences of real property or Buildings and Fixtures to which the Borrower or any Guarantor are a party, as extended, renewed and/or overheld from time to time in accordance with reasonable commercial practice, (i) at the date of this Agreement, as listed and described on Schedule 6.1(k), and (ii) after the date of this Agreement as notified to the Administrative Agent pursuant each Compliance Certificate and as thereafter listed on Schedule 6.1(k) but shall exclude (iii) leases, rights and licences terminated in accordance with their terms (and not as the result of a default) or assigned, surrendered or otherwise disposed of after the date of this Agreement as permitted by this Agreement from time to time.

“Lenders” mean, collectively, the financial institutions set forth on the signature pages of this Agreement, any Person who may become a Lender pursuant to Section 11.7 and their respective successors and assigns. A Lender with an Operating Commitment is sometimes referred to herein as an **“Operating Lender”** and a Lender with a Term Commitment is sometimes referred to herein as a **“Term Lender”**.

“Lending Limit” has the meaning specified in Section 2.2(1).

“LIBOR Interest Period” means, for each LIBOR Rate Advance, a period which commences (i) in the case of the initial LIBOR Interest Period, on the date the Advance is made or converted from another Type of Accommodation, and (ii) in the case of any subsequent LIBOR Interest Period, on the last day of the immediately preceding LIBOR Interest Period, and which ends, in

either case, on the day selected by the Borrower in the applicable Borrowing Notice or Election Notice. The duration of each LIBOR Interest Period shall be 1, 2, 3, or 6 months (or such shorter or longer period as may be approved by the Lenders making LIBOR Rate Advances), unless the last day of a LIBOR Interest Period would otherwise occur on a day other than a Business Day, in which case the last day of such LIBOR Interest Period shall be extended to occur on the next Business Day, or if such extension would cause the last day of such LIBOR Interest Period to occur in the next calendar month, the last day of such LIBOR Interest Period shall occur on the preceding Business Day.

“LIBOR Rate” means, for each LIBOR Interest Period for each LIBOR Rate Advance, the rate of interest per annum, calculated on the basis of a 360 day year, determined by the Administrative Agent to be the arithmetic average (rounded upwards to the nearest 1/16 of 1%) of the rates of interest per annum, calculated on the basis of a 360 day year, at which the Administrative Agent is offered deposits in the London interbank market at approximately 11:00 a.m. (London time) on the second Business Day prior to the commencement of such LIBOR Interest Period in an amount of United States dollars similar to the amount of the applicable LIBOR Rate Advance and for a period comparable to such LIBOR Interest Period, such rate of interest being the Reuters 01 Screen Rate at such time.

“Lien” means any mortgage, charge, pledge, hypothecation, security interest, assignment, encumbrance, lien (statutory or otherwise), title retention agreement or arrangement, restrictive covenant or other encumbrance of any nature or any other arrangement or condition that in substance secures payment or performance of an obligation.

“Loss” means any loss whatsoever, whether direct or indirect, including expenses, costs, damages, judgments, penalties, fines, charges, claims, demands, liabilities, loss of profits and any and all legal fees and disbursements actually incurred.

“Maintenance Capital Expenditures” means expenditures of money or money’s worth incurred by the Borrower and its Subsidiaries for the repair or maintenance of assets which are required to be capitalized in accordance with GAAP.

“Majority Lenders” means, at any time, Lenders whose Commitments, taken together, are greater than 66-2/3% of the aggregate amount of the Commitments.

“Mandatory Borrowing” has the meaning specified in Section 3.1(4).

“Margin Stock” has the meaning specified in Regulation U.

“Material Adverse Effect” means a material adverse effect (x) on the business, operations, results of operations, prospects, assets, liabilities or financial condition of the Borrower and the other Credit Parties taken as a whole, or (y) on the ability of such Persons taken as a whole to perform their obligations in all material respects under the Credit Documents to which they are a party.

“Material Agreements” means the agreements listed in Schedule 6.1(z) and any agreement, contract or similar instrument to which the Borrower or any of the other Credit Parties is a party or to which any of their property or assets may be subject for which breach, non-performance, cancellation or failure to renew could reasonably be expected to have a Material Adverse Effect.

“Mortgaged Properties” means the Subject Properties which are subject to a Mortgage, as specified as such on Schedule 6.1(k).

“Mortgages” means each of the mortgages, debentures and deeds of trust in respect of the Mortgaged Properties made by the Borrower or any Guarantor in favour of, or for the benefit of, the Administrative Agent for the benefit of the Lenders.

“Multiemployer Plan” means a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of the ERISA.

“Net Proceeds” has the meaning specified in Section 2.4(3).

“Note Purchase Agreements” means the note purchase agreements dated November 19, 2003 between the Borrower, the Guarantors and each of the Noteholders providing for the purchase by the Noteholders of up to \$67,000,000 aggregate principal amount of 5.13% senior secured notes, series A (the **“Notes”**), issued by the Borrower (as amended from time to time in accordance with this Agreement).

“Noteholder Credit Documents” means the Note Purchase Agreements, the Noteholder Security Documents, the Series A Notes (as defined in the Note Purchase Agreements) and all other documents executed and delivered or to be executed and delivered to the Noteholders by the Borrower and the Credit Parties.

“Noteholders” means the holders of the senior secured notes issued under the Note Purchase Agreements.

“Noteholders’ Security” means, at any time, the Liens in favour of The Canada Trust Company as agent for the Noteholders on the assets and properties of the Borrower and the Guarantors securing their obligations under the Noteholder Credit Documents.

“Noteholder Security Documents” means the Note Purchase Agreements, the other agreements described in Schedule 5B and any other security granted to the agent for the Noteholders and/or the Noteholders as security for the obligations of the Borrower and the Guarantors under the Noteholder Credit Documents.

“Obligations” shall mean all Accommodations (without duplication), and other indebtedness, advances, debts, liabilities, obligations, covenants and duties owing by the Borrower to any Lender or the Administrative Agent, of any kind or nature, arising under this Agreement or under any other Credit Document; present or future, whether or not evidenced by any note, guarantee or other instrument, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guarantee, indemnification or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired.

“Operating Facility” means the operating revolving credit facility to be made available to the Borrower under this Agreement for the purposes specified in Section 2.3.

“Operating Repayment Date” means, in the case of the Operating Facility and the Swingline Facility, May 17, 2009.

“Original Currency” has the meaning specified in Section 11.10(1).

“Other Currency” has the meaning specified in Section 11.10(1).

“Other Taxes” has the meaning specified in Section 11.6(3).

“Outstanding Swingline Accommodations” has the meaning specified in Section 3.1(4).

“Owned Properties” means, collectively, the land and premises owned by the Borrower or any other Credit Party (i) on the date of this Agreement which are listed on Schedule 6.1(k), and (ii) after the date of this Agreement, as notified to the Administrative Agent pursuant to each Compliance Certificate and as thereafter listed on Schedule 6.1(k), but shall exclude lands and premises sold or otherwise disposed of as permitted by this Agreement from time to time as and from the date of such sale or disposition.

“Patent Licenses” means all agreements, whether written or oral, providing for the grant by or to any Person of any right to manufacture, use or sell any invention covered in whole or in part by a Patent.

“Patents” means (i) all letters patent of the United States or patents arising under the laws of Canada, any other country or any political subdivision thereof, all reissues and extensions thereof and all goodwill associated therewith, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, (iii) all registrations and recordings of patents and all applications in connection therewith with CIPO or in any similar office or agency of any other country or any political subdivision thereof, and all common law rights related thereto, and (iv) all rights to obtain any reissues or extensions of the foregoing.

“Participant” has the meaning specified in Section 11.7(3).

“PBGC” means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

“Permitted Acquisition” means an acquisition by the Borrower or any of its Subsidiaries of (i) the assets constituting a business, division or product line of any Person engaging in a business relating to the Business who is not a Related Party, or (ii) 100% of the issued and outstanding shares or ownership interests in the capital of such Person, and, which satisfies the following conditions:

- (a) No Default or Event of Default exists at the time of the acquisition or would exist after giving effect to it;
- (b) The Borrower delivers a certificate in form and substance to the Administrative Agent, acting reasonably, establishing pro-forma compliance (calculated in accordance with Section 1.8) with the covenants contained in Article 7 after giving effect to the acquisition for the twelve month periods immediately prior and subsequent to completion of the acquisition;
- (c) The acquisition adheres at all times to the acquisition criteria approved by the board of directors of the Borrower;

- (d) The acquired entity conducts its operations in Canada or the United States;
- (e) The acquired entity conducts its operations substantially in the Business;
- (f) The board of directors of the Borrower having approved the acquisition;
- (g) Security in form and substance satisfactory to the Administrative Agent and the Lenders shall have been granted over all acquired assets;
- (h) Legal opinions satisfactory to the Lenders, acting reasonably, with respect to the acquisition and the security referred to above shall have been delivered;
- (i) The acquisition is not a Hostile Take-Over Bid;
- (j) All of the representations and warranties of the Borrower contained in this Agreement shall be true and correct in all material respects immediately prior to and after the acquisition; and
- (k) The acquisition could not reasonably be expected to cause or result in a Material Adverse Effect or result in or create any material contingent liabilities which are not in the ordinary course of business (including contingent environmental, tax, ERISA or other contingent obligations).

“Permitted Disposition” means a sale, exchange, lease, release, abandonment or other disposition of any assets or properties of the Borrower or any of its Subsidiaries pursuant to Section 7.2(d).

“Permitted Liens” means, in respect of any Person and/or Subject Property, as applicable, any one or more of the following:

- (a) Liens for taxes, assessments or governmental charges or levies which are not delinquent or the validity of which is being contested at the time by the Person in good faith by proper legal proceedings if, in the opinion of the Administrative Agent, acting reasonably, adequate provision has been made for their payment;
- (b) Inchoate or statutory Liens of contractors, subcontractors, mechanics, workers, suppliers, materialmen, repairmen, warehousemen, carriers and others in respect of construction, maintenance, repair or operation of assets of the Person, provided that such Liens are related to obligations not due or delinquent, are not registered against title to any assets of the Person (or if so registered, are discharged or appropriately bonded over within 45 days of such registration) and in respect of which adequate holdbacks are being maintained as required by applicable law, or such Liens are being contested in good faith by appropriate proceedings and in respect of which there has been set aside a reserve (segregated to the extent required by GAAP) in an adequate amount and provided further that such Liens do not, in the aggregate, in the opinion of the Administrative Agent, acting reasonably, materially reduce the value of the assets of the Person or the Subject Properties taken as a whole (but subject to the right of the Administrative Agent, acting reasonably, to determine whether the existence of such Liens combined

with all other Liens in existence on such properties would materially reduce the value of the Subject Properties taken as a whole, such that all such Liens would no longer constitute Permitted Liens), as applicable, or materially interfere with the use of such assets in the operation of the business of the Person;

- (c) Permits, reservations, covenants, rights of access and user licences, easements, rights-of-way, servitudes, restrictions and similar rights in real property comprised in the assets of the Person or interests therein granted or reserved to other Persons, provided that such rights do not materially, in the opinion of the Administrative Agent, acting reasonably, reduce the value of the assets of the Person or the Subject Properties taken as a whole (but subject to the right of the Administrative Agent, acting reasonably, to determine whether the existence of such Liens combined with all other Liens in existence on such properties would materially reduce the value of the Subject Properties taken as a whole, such that all such Liens would no longer constitute Permitted Liens), as applicable, or materially interfere with the use of such assets in the operation of the business of the Person;
- (d) Title defects or irregularities which are of a minor nature and which, in the opinion of the Administrative Agent, acting reasonably, do not materially reduce the value of the assets of the Person or the Subject Properties taken as a whole (but subject to the right of the Administrative Agent, acting reasonably, to determine whether the existence of such Liens combined with all other Liens in existence on such properties would materially reduce the value of the Subject Properties taken as a whole, such that all such Liens would no longer constitute Permitted Liens), as applicable, or materially interfere with the use of such assets in the operation of the business of the Person;
- (e) Liens securing appeal bonds and other similar Liens arising in connection with court proceedings (including, without limitation, surety bonds, security for costs of litigation where required by law and letters of credit) or any other instruments serving a similar purpose;
- (f) Attachments, judgments and other similar Liens arising in connection with court proceedings; provided, however, that the Liens are in existence for less than 30 days after their creation or the execution or other enforcement of the Liens is effectively stayed, bonded or the claims so secured are being actively contested in good faith and by proper legal proceedings;
- (g) The reservations, limitations, provisos and conditions, if any, expressed in any original grant from the Crown of any real property or any interest therein or in any comparable grant in jurisdictions other than Canada;
- (h) Liens given to a public utility or any municipality or governmental or other public authority when required by such utility or other authority in connection with the operation of the business or the ownership of the assets of the Person, provided that such Liens do not, in the opinion of the Administrative Agent, acting reasonably, materially reduce the value of the assets of the Person or the Subject

Property, as applicable, or materially interfere with the use of such assets in the operation of the business of the Person;

- (i) Subdivision agreements, servicing agreements, development agreements, site plan agreements, and other agreements or undertakings with Governmental Entities pertaining to the use or development of any of the assets of the Person, provided same are complied with and do not in the opinion of the Administrative Agent, acting reasonably, materially reduce the value of the assets of the Person or the Subject Property, as applicable, or materially interfere with the use of such assets in the operation of the business of the Person including, without limitation, any obligations to deliver letters of credit and other security as required;
- (j) Applicable municipal and other governmental restrictions, including municipal by-laws and regulations, official plans, zoning or building by-laws affecting the use of land or the nature of any structures which may be erected thereon, provided such restrictions have been complied with or constitute legal non-conforming uses;
- (k) Encroachments relating to a Subject Property or any facilities of or used in connection with a Subject Property over neighbouring lands or over any easement and permitted under agreements with the owners of such lands or holders of such easements or covered in a title insurance opinion or policy in favour of the Administrative Agent on behalf of itself and the Lenders;
- (l) The right reserved to or vested in any Governmental Entity by any statutory provision or by the terms of any lease, licence, franchise, grant or permit of the Person, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;
- (m) Reservations, limitations and/or exceptions to title set forth in the relevant land registry statutes;
- (n) All encumbrances, instruments and/or Liens granted by and/or relating to the owners of the Leased Properties from time to time;
- (o) Any encroachments, encumbrances or other matters disclosed by existing surveys of the Subject Properties or which would be disclosed by up to date surveys of the Subject Properties;
- (p) Matters disclosed in title opinions or title insurance policies provided to the Administrative Agent and/or its solicitors as at the Closing Date or delivered in accordance with Section 7.1(s) or (u);
- (q) Liens in favour of the Administrative Agent and the Lenders created by the Security Documents;
- (r) The Noteholders' Security;

- (s) Liens in existence over the assets and property of an acquired entity provided such Liens exist on the date of closing of the Permitted Acquisition and such acquisition is a Permitted Acquisition;
- (t) Liens in connection with Purchase Money Mortgages securing up to an aggregate amount of \$5,000,000 (or the equivalent amount in any other currency), including those listed in Schedule 7.2(b);
- (u) Liens disclosed in Schedule 7.2(b) but only to the extent such Liens conform to their description in Schedule 7.2(b) and do not create a Lien on Eligible Inventory or Eligible Accounts Receivable, and includes any extension or renewal thereof provided the amount so secured does not exceed the original amount secured immediately prior to the extension, renewal or refinancing and the scope of the collateral subject to the Lien is not extended; and
- (v) Any amendment, extension, restatement, supplement, replacement and/or renewal of any of the foregoing subject to any limitations contained herein.

“Person” means a natural person, partnership, corporation, joint stock company, unlimited liability company, limited liability company, trust, unincorporated association, joint venture or other entity or Governmental Entity, and pronouns have a similarly extended meaning.

“Plan” means an employee benefit plan that is covered by ERISA and in respect of which the Borrower, any other Credit Party or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Priority Accounts Payable” means, at any time, the amount due and owing (whether or not past due) by the Borrower or any of the other Credit Parties or for which they have an obligation to remit to a Governmental Entity pursuant to any applicable Law in respect of pension fund obligations, employment insurance, goods and services taxes, sales taxes and other taxes payable or to be remitted or withheld, workers' compensation and other like charges and demands, in each case, in respect of which any Governmental Entity may claim a security interest or other claim ranking or capable of ranking in priority to the Security.

“Pro Rata Share” shall mean, at any time with respect to a particular Lender, the ratio of such Lender's Commitment at such time to the aggregate amount of all Commitments of all of the Lenders at such time.

“Prospectus” means the final prospectus dated August 13, 2002 in respect of the initial public offering of units of KCP Fund.

“Purchase Money Mortgage” means any Lien charging property (other than Eligible Accounts Receivable or Eligible Inventory) acquired by the Borrower or any other Credit Party, which is granted or assumed by the Borrower or any other Credit Party or which arises by operation of law in favour of the transferor concurrently with and for the purpose of the acquisition of such property, in each case where (i) the principal amount secured by the Lien is not in excess of 100% of the purchase price (after any post-closing adjustment) of the property acquired, and (ii) such Lien extends only to the property acquired and its proceeds.

“Qualified Person” has the meaning specified in Section 11.7(7).

“Refinancing Transaction” means the private placement of senior secured notes of the Borrower aggregating \$67,000,000 as evidenced by the Noteholder Credit Documents, the proceeds of which were used to repay certain outstandings under the Original Credit Agreement and for general corporate purposes.

“Regulation T” means Regulation T of the Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

“Regulation U” means Regulation U of the Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

“Regulation X” means Regulation X of the Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

“Related Party” means in respect of the Borrower or any other Credit Party (i) a Person which alone or in combination with others holds a sufficient number of securities or has contractual rights sufficient to affect materially the control of the Borrower or any other Credit Party, (ii) a Person in respect of which a Person referred to in section (i) alone or in combination with others holds a sufficient number of securities or has contractual rights sufficient to affect materially its control, (iii) a Person in respect of which the Borrower or any other Credit Party alone or in combination with others holds a sufficient number of securities or has contractual rights sufficient to affect materially its control, (iv) a Person who beneficially owns, directly or indirectly, voting securities of the Borrower or any other Credit Party or who exercises control or direction over voting securities of the Borrower or any other Credit Party or a combination of both carrying more than 10% of the voting rights attached to all voting securities of the Borrower or any other Credit Party for the time being outstanding, (v) a director or senior officer of the Borrower, any other Credit Party or Related Party of the Borrower or any other Credit Party, or (vi) an Affiliate of any of the foregoing.

“Reorganization” means, with respect to a Multiemployer Plan, the condition that such Plan is in reorganization within the meaning of Section 4241 of ERISA.

“Reportable Event” means a Reportable Event as defined in Section 4043(c) of ERISA.

“Secured Lien” means any mortgage, charge, pledge, hypothecation or security interest granted and/or assumed by or on behalf of the Borrower or any Guarantor which is secured against its interest in the relevant Subject Property.

“Security” means, at any time, the Liens in favour of the Administrative Agent or the Lenders or any Affiliate thereof, or both, on the assets and properties of the Borrower and the Guarantors securing their obligations under this Agreement and the other Credit Documents.

“Security Documents” means this Agreement, the Mortgages and the other agreements described in Schedule 5A and any other security granted to the Administrative Agent or the Lenders, or both, as security for the obligations of the Borrower and the Guarantors under this Agreement and the other Credit Documents.

“Senior Management Vendors” has the meaning specified in the Prospectus.

“Single Employer Plan” means any Plan that is covered by Title IV of ERISA, but that is not a Multiemployer Plan.

“Subject Properties” means collectively, the Owned Properties and the Leased Properties.

“Subordinated Indebtedness” has the meaning specified in Section 10.1(6).

“Subordinated Security” has the meaning specified in Section 10.1(6).

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

“Swingline Facility” means the revolving operating credit facility to be made available to the Borrower by the Swingline Lender of up to \$2,000,000 as a carve out of the Operating Facility.

“Swingline Lender” means The Toronto-Dominion Bank, New York Branch in its capacity as the Lender under the Swingline Facility.

“Take-Over Bid” has the meaning specified in the Securities Act (Ontario) except that all references to “Ontario” shall be amended to “any jurisdiction in the world”, excluding an exempt take-over bid under such legislation.

“Taxes” has the meaning specified in Section 11.6(2).

“Term Facility” means the non-revolving term credit facility to be made available to the Borrower under this Agreement for the purposes specified in Section 2.3.

“Term Repayment Date” means May 17, 2009.

“Trademark Licenses” means all agreements, whether written or oral, providing for the grant by or to any Person of any right to use any Trademark.

“Trademarks” means (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether with CIPO, the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common law rights related thereto, and (ii) the right to obtain all renewals thereof.

“U.S. Dollars” and **“U.S. \$”** means lawful money of the United States of America.

“Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from the Multiemployer Plan, as such terms are defined in Part 1 of Subtitle E of Title IV of ERISA.

1.2 Gender and Number.

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

1.3 Headings, etc.

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

1.4 Currency.

All references in the Credit Documents to dollars, unless otherwise specifically indicated, are expressed in United States Dollars.

1.5 Amendments, Consents and Approvals.

(1) Subject to the next sentence, each of the Guarantors hereby irrevocably acknowledges, confirms and agrees that this Agreement may be amended, restated, supplemented or otherwise modified from time to time without the need for the prior written consent of such Guarantor. No amendment to Article 10 of this Agreement shall be made without the prior written consent of each Guarantor, and no amendment shall be made to any representation, warranty or covenant made or given by KLP or KIK Acquisition in this Agreement without the prior written consent of KLP or KIK Acquisition, as the case may be.

(2) Whenever possible the consent or approval of a party hereto is required in a particular circumstance, unless otherwise expressly provided for therein, such consent or approval shall not be unreasonably withheld or delayed by such party.

(3) To the extent that the Collateral Covenant Agreements refer to the KLP Debt or the KOT Debt, such defined terms are hereby amended retrospectively and prospectively so as to be consistent with such defined terms as contained herein. The parties to such Collateral Covenant Agreements shall be entitled to rely on this Section 1.5(3) even though not a party to this Agreement.

1.6 Certain Phrases, etc.

(1) References to **“this Agreement”**, **“the Agreement”**, **“hereof”**, **“herein”**, **“hereto”** and like references refer to this Agreement and not to any particular Article, Section or other subdivision of this Agreement. References to **“or”** shall not be construed to be exclusive. Any references herein to any agreements or documents shall mean such agreements or documents as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof and thereof.

(2) In any Credit Document (i) (y) the words “**including**” and “**includes**” mean “including (or includes) without limitation” and (z) the phrase “**the aggregate of**”, “**the total of**”, “**the sum of**”, or a phrase of similar meaning means “the aggregate (or total or sum), without duplication, of”, and (ii) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word “**from**” means “from and including” and the words “**to**” and “**until**” each mean “to but excluding”.

1.7 Accounting Terms.

All accounting terms not specifically defined in this Agreement shall be interpreted in accordance with GAAP except to the extent that, for the purposes of calculating the financial covenants set forth in Section 7.3 and the definitions of "Consolidated Depreciation and Amortization Expense", "Consolidated EBITDA", "Consolidated Indebtedness", "Consolidated Equity", "Consolidated Net Income", "Consolidated Interest Charges", and “Consolidated Income Tax Expense”, the consolidation required by such definitions shall be calculated and determined in accordance with GAAP.

1.8 Calculations on a Pro-Forma Basis

If the Borrower or any Subsidiary has made a Permitted Acquisition or Permitted Disposition during a period relevant to the determination of Consolidated EBITDA or Consolidated Interest Charges then, other than in respect of any calculations used in the determination of Distributable Free Cash Flow (where no such adjustments shall be made):

- (a) Consolidated EBITDA and Consolidated Interest Charges shall be calculated on a pro-forma basis (exclusive of any contemplated synergies resulting from such Permitted Acquisition) as if such Permitted Acquisition or Permitted Disposition had taken place on the first day of such period;
- (b) Any indebtedness of any description which is permitted to be incurred, assumed or acquired by the Borrower or any Subsidiary in connection with the Permitted Acquisition shall be deemed to have been so incurred, assumed or acquired on the first day of such period;
- (c) Interest shall be deemed to have accrued on the amount of such indebtedness at the higher of (i) the then-applicable rate of interest accruing on such indebtedness at the time of consummation of the Permitted Acquisition, and (ii) the rate hereunder applicable to Base Rate (Canada) Advances during such period;
- (d) Any indebtedness of any description that is permanently repaid (with a corresponding permanent reduction to any revolving commitment) or assumed by the purchaser in connection with such Permitted Disposition shall be deemed to have been so repaid or assumed on the first day of such period; and
- (e) Interest paid by the Borrower or any of its Subsidiaries in respect of any such indebtedness repaid or assumed by the purchaser during such period shall be excluded from the calculation of Consolidated EBITDA and Consolidated Interest Charges.

1.9 Incorporation of Schedules.

The schedules attached to this Agreement shall, for all purposes of this Agreement, form an integral part of it. For the avoidance of doubt, disclosure of a matter in a schedule does not constitute an admission of the materiality of such matter.

1.10 Time of the Essence.

Time shall in all respects be of the essence of this Agreement.

1.11 Paramountcy.

In the event of a conflict in or between the provisions of this Agreement and the provisions of any of the other Credit Document then, notwithstanding anything contained in such other Credit Document, the provisions of this Agreement will prevail and the provisions of such other Credit Document will be deemed to be amended to the extent necessary to eliminate such conflict. In particular, if any act or omission of a Credit Party is expressly permitted under this Agreement but is expressly prohibited under another Credit Document, such act or omission shall be permitted. If any act or omission is expressly prohibited under a 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 Credit Party 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. For the avoidance of doubt, the use of proceeds of the offering referred to in paragraph 5.1(j), as described in the prospectus dated May 9, 2005, shall be deemed in compliance with the Collateral Covenant Agreement entered into by KCP Fund.

1.12 Extension of Credit.

For the purposes hereof, each drawdown shall be deemed to be an Accommodation to the Borrower hereunder.

1.13 References to and Effect on Original Credit Agreement and Original Amended and Restated Credit Agreement.

Each reference to the "Credit Agreement" or other similar reference in any of the Credit Documents and all other agreements, documents and instruments delivered by all or any one or more of the Borrower or other Credit Parties in connection therewith shall mean and be a reference to this Agreement. The Original Credit Agreement, as amended and restated by the Original Amended and Restated Credit Agreement, the Amending Agreements and this Agreement shall remain in full force and effect and is hereby ratified and confirmed in the form of this Agreement.

ARTICLE 2 CREDIT FACILITIES

2.1 Availability.

(1) Each Operating Lender severally agrees, on the terms and conditions of this Agreement, to make Accommodations rateably to the Borrower in accordance with its respective Lender's Operating Commitment. Each Term Lender severally agrees, on the terms and conditions of this Agreement to make Accommodations rateably to the Borrower in accordance with its Term Commitment. Accommodations shall be made available as Advances pursuant to Article 3.

(2) The Swingline Lender agrees, on the terms and conditions of this Agreement, to make Accommodations to the Borrower in accordance with its Swingline Commitment at any time after execution and delivery by the Borrower of the Swingline Lender's usual and customary documentation, if any, for the provision of cash management services. Accommodations will be made available as Advances pursuant to Article 3.

(3) The Administrative Agent shall give each Lender prompt notice of any (i) Accommodation Notice received from the Borrower and of each Lender's Pro Rata Share of any Accommodation, and (ii) other notice received by it from the Borrower under this Agreement.

2.2 Commitments and Facility Limits.

(1) The Accommodations Outstanding to all Lenders under the Operating Facility shall not at any time exceed the lesser of (i) the Operating Commitment, and (ii) the Borrowing Base (the "**Lending Limit**"). The Accommodations Outstanding to each Lender under the Operating Facility shall not at any time exceed the lesser of (i) the Lender's Operating Commitment, and (ii) the Lender's Pro Rata Share of the Borrowing Base. The Accommodations Outstanding to the Swingline Lender shall not at any time exceed the Swingline Commitment. The Accommodations Outstanding to all Lenders under the Term Facility shall not at any time exceed the Term Commitment. The Accommodations Outstanding to each Lender under the Term Facility shall not at any time exceed the Lender's Term Commitment.

(2) The Operating Facility shall revolve and no payment under the Operating Facility shall reduce the Operating Commitment or any Lender's Operating Commitment. The Swingline Facility shall revolve and no payment under the Swingline Facility shall reduce the Swingline Commitment. The Term Facility shall not revolve and any payment under the Term Facility shall permanently reduce the Term Commitment and each Lender's Term Commitment, rateably.

(3) A conversion from one Type of Accommodation or Advance to another Type of Accommodation or Advance shall not constitute a repayment or prepayment.

2.3 Use of Proceeds.

(1) The Borrower shall use the proceeds of Accommodations under the Operating Facility and the Swingline Facility for general corporate purposes of the Borrower and its Subsidiaries, including up to \$20,000,000 in the aggregate in any Financial Year outstanding at

any time to assist in funding Permitted Acquisitions and up to \$5,000,000 in the aggregate in any Financial Year outstanding at any time to assist in funding Maintenance Capital Expenditures. The Borrower shall not use the proceeds of any Accommodations under the Operating Facility to repay any Notes (but may use such proceeds to pay fees and expenses and other costs in connection with the renegotiation of the terms of or repayment of the Notes).

(2) Accommodations under the Term Facility shall be made available (a) in an aggregate amount of not more than \$85,000,000 in one borrowing on the date hereof, and (b) in an amount equal to the remainder of the undrawn Term Commitment in one borrowing on or before the date that is 90 days after the date hereof. Any amount of the Term Facility not drawn on the date specified in clause (b) of this Section 2.3 shall be permanently cancelled on such date. The Borrower shall use the proceeds of Accommodations under the Term Facility specified in (i) clause (a) of this Section 2.3 to pay (in part) the purchase price payable in connection with the CCL Acquisition; (ii) clause (b) of this Section 2.3 to repay, in whole or in part, the Notes (including fees and expenses and other costs in connection with the renegotiation of the terms of or repayment of the Notes).

2.4 Mandatory Repayments.

(1) The Borrower shall repay (subject to Section 8.1) the Accommodations Outstanding under the Operating Facility and the Swingline Facility, together with all accrued interest and Fees and all other amounts payable in connection therewith, on the Operating Repayment Date. The Borrower shall repay (subject to Section 8.1) the Accommodations Outstanding under the Term Facility, together with all accrued interest and all other amounts payable in connection therewith on the Term Repayment Date.

(2) Within two Business Days of receiving same, subject to the Intercreditor Agreement, the Borrower shall pay to the Lenders an amount equal to (i) the Net Proceeds in excess of \$1,000,000 (or the equivalent amount in any other currency) in the aggregate received by the Borrower or any of its Subsidiaries in any Financial Year from a sale or other disposition of assets (other than sales of Inventory in the ordinary course of business) required to be capitalized on the financial statements of the Borrower or such Subsidiary, as the case may be, subject to the right of the Borrower or such Subsidiary to replace such assets within 180 days of such disposition or sale; and (ii) unless the Borrower has insurance on a replacement cost basis and the proceeds or an amount not less than the proceeds has been expended or committed by the Borrower or a Subsidiary for the repair or replacement of such property within 180 days of receipt of such insurance proceeds and the Borrower has provided to the Administrative Agent evidence satisfactory to the Administrative Agent of such expenditure or commitment, any Net Proceeds of insurance received by the Borrower or any Subsidiary. Any payments made by the Borrower or a Subsidiary to the Lenders pursuant to this Section 2.4(2) shall be applied as a prepayment in full of all Accommodations Outstanding under (a) firstly, the Term Facility, and (b) secondly, the Operating Facility. Net Proceeds shall be applied (i) firstly, to rateably repay Accommodations Outstanding under the Term Facility; and (ii) secondly, to repay Accommodations Outstanding under the Operating Facility (and the Operating Commitment shall be reduced by a corresponding amount). For purposes of this Section 2.4(2), subject to the Intercreditor Agreement, the Administrative Agent shall hold all Net Proceeds to be applied to the repayment of LIBOR Rate Advances until the last day of the then current LIBOR Interest Period and the Borrower hereby authorizes and directs the Administrative Agent to apply such Net Proceeds to the repayment of such LIBOR Rate Advances at such time.

(3) For the purposes of this Section 2.4, “**Net Proceeds**” means the following: (i) with respect to Section 2.4(2) (i) the net amount equal to the aggregate amount received in cash (including any cash received by way of deferred payment pursuant to a note receivable, other non-cash consideration or otherwise, but only as and when such cash is so received) in connection with such sale or disposition, less the sum of (y) fees (including, without limitation, legal fees), commissions and other out-of-pocket expenses incurred or paid for by the seller in connection with the sale or disposition and (z) taxes incurred in connection with the sale or disposition whenever payable; and (ii) with respect to Section 2.4(2) (ii), the aggregate amount received.

(4) For greater certainty, any payments made by the Borrower pursuant to this Section 2.4 shall reduce the Commitment of each of the Lenders by the amounts received by such Lenders after making any required payments to the Noteholders pursuant to the Intercreditor Agreement as a result of such prepayment.

2.5 Mandatory Prepayment Where Borrowing Base Deficiency.

If, on any day, the Accommodations Outstanding under either the Operating Facility or the Swingline Facility, as the case may be, exceed (i) in the case of the Operating Facility, the Lending Limit (based on the most recently delivered Borrowing Base Certificate), or (ii) in the case of the Swingline Facility, the Swingline Commitment, the Borrower shall on that day (iii) prepay Borrowings, or (iv) pay such amount to the Administrative Agent and irrevocably authorize and direct the Administrative Agent to apply such payment to LIBOR Rate Advances or as a repayment of the Borrower's reimbursement obligation in respect of any Issues on the next maturity date; such that the Accommodations Outstanding, after giving effect to the payment, do not exceed the Lending Limit, or the Swingline Commitment, as the case may be.

2.6 Optional Prepayments and Reductions of Commitments.

(1) If the Borrower has, upon the number of Business Days' notice to the Administrative Agent, specified in Schedule 4, delivered a notice to the Administrative Agent stating the proposed Credit Facility to be repaid, the proposed date and aggregate principal amount of any prepayment of Accommodations Outstanding and corresponding reduction of the Lenders' Commitment, it shall, on that date, subject to the Intercreditor Agreement, pay to the Lenders the amount of such proposed prepayment which will reduce the applicable Commitment by the same amount together with all interest on the amount of such prepayment accrued to the date of such reduction. Each partial prepayment and corresponding reduction of the Commitment shall be in an aggregate minimum principal amount of \$1,000,000 or an integral multiple of \$100,000 thereafter.

(2) For greater certainty, any payments made by the Borrower pursuant to this Section 2.6 shall reduce the Commitment of each of the Lenders by the amounts received by such Lenders after making any required payments to the Noteholders pursuant to the Intercreditor Agreement as a result of such prepayment.

(3) The Borrower may not, pursuant to this Section 2.6, prepay the amount of any LIBOR Rate Advance except at the end of the applicable LIBOR Interest Period, unless the Borrower compensates the affected Lender for any loss (including loss of profit), cost or expense suffered or incurred by such Lender as a result of the prepayment thereof. A certificate as to the

amount of any such loss, submitted in good faith by such Lender to the Administrative Agent and the Borrower, shall constitute prima facie evidence of such amount.

2.7 Commitment Fees.

(1) The Borrower shall pay to the Administrative Agent for the account of the Operating Lenders the Applicable Commitment Fee per annum on the difference between the Operating Commitment and the Accommodations Outstanding under the Operating Commitment (without regard to any Swingline Advance), such fees being calculated and payable quarterly in arrears on the fifth Business Day following the end of each Financial Quarter and on the Operating Repayment Date.

(2) The Borrower shall pay to the Administrative Agent for the account of the Term Lenders the Applicable Commitment Fee per annum on the difference between the Term Commitment and the Accommodations Outstanding under the Term Facility, such fees being calculated and payable in arrears on the earlier of the date of (i) drawing under the Term Facility pursuant to clause (b) of Section 2.3(2); and (ii) the date the undrawn Term Commitment is cancelled pursuant to Section 2.3(2).

2.8 Payments under this Agreement.

(1) Unless otherwise expressly provided in this Agreement, the Borrower shall (i) make any payment required to be made by it to the Administrative Agent or the Lender by depositing the amount of the payment to the relevant Borrower's Account not later than 11:00 a.m. (Toronto time) on the date the payment is due, and (ii) provide to the Administrative Agent, upon the number of Business Days' notice to the Administrative Agent specified in Schedule 4, a notice of repayment which shall be irrevocable and binding on the Borrower and shall specify (x) the date of repayment, (y) the Type and amount of Accommodation to be repaid, and (z) the Credit Facility which is being repaid. The Borrower shall make each such payment in U.S. Dollars. The Administrative Agent shall distribute to each Lender, promptly on the date of receipt by the Administrative Agent of any payment, an amount equal to the amount then due each Lender. Any amount received by the Administrative Agent for the account of the Lenders shall be held in trust for their benefit until distribution to such Lenders.

(2) Unless otherwise expressly provided in this Agreement, the Administrative Agent shall make Accommodations and other payments to the Borrower under this Agreement by crediting the Borrower's Account (or causing the Borrower's Account to be credited) with the amount of the payment not later than 1:00 p.m. (Toronto time) on the date the payment is to be made.

(3) The Borrower authorizes each Lender, if and to the extent payment owed to such Lender by the Borrower is not made to the Administrative Agent when due, to charge from time to time any due amount against any or all of the Borrower's accounts with the Lender.

2.9 Application of Payments and Prepayments.

(1) All amounts received by the Administrative Agent from or on behalf of the Borrower and not previously applied pursuant to this Agreement shall be applied by the Administrative Agent as follows: (i) first, in reduction of the Borrower's obligation to pay any

unpaid interest and any Fees which are due and owing, (ii) second, in reduction of the Borrower's obligation to pay any claims or losses referred to in Section 11.5, (iii) third, in reduction of the Borrower's obligation to pay any amounts due and owing on account of any unpaid principal amount of Advances which is due and owing, (iv) fourth, in reduction of the Borrower's obligation to pay any other unpaid Accommodations Outstanding which are due and owing, (v) fifth, in reduction of any other obligation of the Borrower under this Agreement and the other Credit Documents, and (vi) sixth, to the Borrower or such other Persons as may lawfully be entitled to or directed to receive the remainder.

(2) Subject to the next following sentence, whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, as the case may be. If any such extension would cause repayment of the principal of or interest on a LIBOR Rate Advance to be made in the next following calendar month, such payment shall be made on the last preceding Business Day with interest payments adjusted accordingly.

2.10 Computations of Interest and Fees.

(1) All computations of interest shall be made by the Administrative Agent taking into account the actual number of days occurring in the period for which such interest is payable and (i) if based on the Base Rate (Canada), on the basis of a year of 365 days (or 366 days, as applicable), or (ii) if based on the LIBOR Rate, on the basis of a year of 360 days.

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

(3) For purposes of the *Interest Act* (Canada), (i) whenever any interest or Fee under this Agreement is calculated using a rate based on a year of 360 days or 365 days (or 366 days, as applicable), as the case may be, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on a year of 360 days or 365 days (or 366 days, as applicable), as the case may be, (y) multiplied by the actual number of days in the calendar year in which the period for which such interest or Fee is payable (or compounded) ends, and (z) divided by 360 or 365 (or 366, as applicable), as the case may be, (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement, and (iii) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

2.11 Foreign Exchange and Hedging Arrangements

(1) The Borrower may from time to time enter into Foreign Exchange and Hedging Arrangements and other hedging arrangements permitted hereunder with a Lender or any Affiliate thereof at market rates. The provision of Foreign Exchange and Hedging Arrangements and other hedging arrangements permitted hereunder to the Borrower shall be at the discretion of such Lender or Affiliate thereof and in the event that such Lender or Affiliate thereof determines, which determination shall be final, conclusive and binding upon the Borrower, and notifies the Borrower that by reason of any circumstances affecting such Lender or Affiliate thereof, it is

unable to provide such Foreign Exchange and Hedging Arrangements and other hedging arrangements permitted hereunder then, in such circumstances the right of the Borrower to request Foreign Exchange and Hedging Arrangements and other hedging arrangements permitted hereunder from such Lender shall be suspended until such Lender or Affiliate thereof determines that circumstances causing such suspension no longer exist and such Lender or Affiliate thereof so notifies the Borrower.

(2) For greater certainty, the obligations of the Borrower under the Foreign Exchange and Hedging Arrangements and other hedging arrangements permitted hereunder made available by a Lender or any Affiliate thereof shall be secured by the Security Documents in accordance with their terms.

(3) There shall be no monetary limit on any foreign exchange contracts (whether or not a Foreign Exchange and Hedging Arrangement), provided that no such contract (whether or not a Foreign Exchange and Hedging Arrangement) is entered into for speculative purposes, and no one such contract (whether or not a Foreign Exchange and Hedging Arrangement) may have a term greater than five years in the case of foreign exchange rate arrangements and five years in the case of interest rate arrangements.

(4) For clarity, nothing in this Agreement restricts the Borrower from entering into any foreign exchange, interest rate and other hedging arrangements permitted hereunder on an unlimited term to maturity and dollar basis with any Person other than the Lenders or any Affiliates thereof, provided that such obligations are unsecured and no Financial Assistance is provided by any Credit Party in connection therewith.

ARTICLE 3 ADVANCES

3.1 The Advances.

(1) Each Operating Lender severally agrees, on the terms and conditions of this Agreement, to make Advances to the Borrower under the Operating Facility, from time to time on any Business Day prior to the Operating Repayment Date. Each Term Lender severally agrees, on the terms and conditions of this Agreement, to make Advances to the Borrower under the Term Facility, from time to time on any Business Day prior to the Term Repayment Date.

(2) The Swingline Lender agrees, on the terms and conditions of this Agreement, to make Swingline Advances under the Swingline Facility from time to time on any Business Day prior to the Operating Repayment Date.

(3) Each Borrowing under the Operating Facility and the Term Facility shall consist of the same Types of Advances made to the Borrower on the same day rateably by the Lenders and each Type of Advance shall be in the aggregate minimum amount and in an integral multiple of the amount set forth in Schedule 4.

(4) Upon receipt of a notice from the Administrative Agent that an Event of Default has occurred and is continuing, no further Swingline Advances shall be made and the Swingline Lender shall advise the Administrative Agent (and the Administrative Agent shall advise each of the Lenders) of the amount of Accommodations Outstanding under the Swingline Facility on the

date of receipt of the notice. In such event, (i) the Operating Commitment of the Lenders shall be deemed to have been increased rateably by the amount of the Accommodations Outstanding under the Swingline Facility, (ii) the amount of the Swingline Commitment shall be reduced to zero, and (iii) a Borrowing of Advances under the Operating Facility (each such Borrowing, a “**Mandatory Borrowing**”) shall be made on the next Business Day by all Operating Facility Lenders so that immediately after the Mandatory Borrowing, each Lender shall share rateably in the Accommodations Outstanding under the Operating Facility (based on their respective Lender's Operating Commitments) and the proceeds shall be applied directly by the Administrative Agent to repay Accommodations Outstanding under the Swingline Facility. Each Lender shall make Advances pursuant to a Mandatory Borrowing in the amount and in the manner specified in writing by the Administrative Agent notwithstanding (i) that the amount of the Mandatory Borrowing may not comply with the minimum amount for Borrowings otherwise required under this Agreement, (ii) that the conditions specified in Article 5 are not satisfied, (iii) the date of the Mandatory Borrowing, and (iv) any reduction in the Operating Commitment after any Swingline Advances were made. If a Mandatory Borrowing cannot for any reason be made on the date required above or the Lenders for any reason would not at that time share rateably in the aggregate amount of the Accommodations Outstanding under the Operating Facility, each Lender shall immediately purchase from the Swingline Lender and each other Lender, such participations in the Advances outstanding under the Operating Facility as shall be necessary to cause the Lenders to share in such Advances rateably, based upon the proportion which each Lender's Operating Commitment bears to the aggregate amount of the Operating Commitment and the Swingline Commitment on the Closing Date.

3.2 Procedure for Borrowing.

(1) Subject to Section 3.2(2), each Borrowing shall be made on the number of days prior notice specified in Schedule 4, given not later than 1:00 p.m. (Toronto time) by the Borrower to the Administrative Agent. Each notice of a Borrowing (a “Borrowing Notice”) shall be in substantially the form of Schedule 1, shall be irrevocable and binding on the Borrower and shall specify (i) the requested date of the Borrowing, (ii) the Type of Advances comprising the Borrowing, (iii) the Credit Facility under which the Borrowing is to be made, (iv) the aggregate amount of the Borrowing, and (v) in the case of a LIBOR Rate Advance, the initial LIBOR Interest Period. Upon receipt by the Administrative Agent of funds from the Lenders and fulfilment of the applicable conditions set forth in Article 5, the Administrative Agent will make such funds available to the Borrower in accordance with Article 2.

(2) Borrowings by the Borrower under the Swingline Facility up to the maximum amount of the Swingline Commitment may be made upon 2 hours prior notice by the Borrower to the Swingline Lender (and, in any event, no later than 3:00 p.m. for same day funds) and shall be made available by the Swingline Lender by crediting the Borrower's Account with same day funds (provided such notice has been received by 3:00 p.m., otherwise with funds on the next Business Day), in each case, in the aggregate amount requested by the Borrower.

3.3 Conversions and Elections Regarding Advances.

(1) Each Advance shall initially be the Type of Advance specified in the applicable Borrowing Notice and shall bear interest at the rate applicable to that Type of Advance until (i) in the case of a LIBOR Rate Advance, the end of the initial LIBOR Interest Period specified in the Borrowing Notice, (ii) in the case of a Base Rate (Canada) Advance, the date on which the

Advance is repaid in full or is changed to another Type of Advance pursuant to Section 3.3(2) and Section 3.3(3), or (iii) in the case of any Advance, it is converted to another Type of Accommodation pursuant to Section 3.3(2) and Section 3.3(3).

(2) The Borrower may elect to (i) change any Advance to another Type of Advance in accordance with Section 3.3(3) or convert an Advance to another Type of Accommodation upon the number of days notice specified in Schedule 4, (y) in the case of a Base Rate (Canada) Advance, as of any Business Day, and (z) in the case of a LIBOR Rate Advance, as of the last day of the LIBOR Interest Period applicable to the LIBOR Rate Advance, or (ii) continue any LIBOR Rate Advance for a further LIBOR Interest Period beginning on the last day of the then current LIBOR Interest Period in accordance with Section 3.3(3).

(3) Each election to change from one Type of Advance to another Type of Advance or to continue a LIBOR Rate Advance for a further LIBOR Interest Period shall be made on the number of days prior notice specified in Schedule 4, given, in each case, not later than 12:30 p.m. (Toronto time) by the Borrower to the Administrative Agent. Each such notice (an "Election Notice") shall be given substantially in the form of Schedule 2 and shall be irrevocable and binding upon the Borrower. If the Borrower fails to deliver an Election Notice to the Administrative Agent for any LIBOR Rate Advance as provided in this Section 3.3(3), the LIBOR Rate Advance shall be converted (as of the last day of the applicable LIBOR Interest Period) to and be outstanding as a Base Rate (Canada) Advance. The Borrower shall not select a LIBOR Interest Period which conflicts with the definition of LIBOR Interest Period in Section 1.1 or, in the opinion of the Administrative Agent, with the repayment schedule in Section 2.4.

3.4 Circumstances Requiring Prime Rate Pricing.

(1) If, at any time during the term of this Agreement, a Lender acting in good faith determines (which determination shall be final, conclusive and binding upon the Borrower) that:

- (a) adequate and fair means do not exist for ascertaining the rate of interest on a LIBOR Rate Advance;
- (b) the LIBOR Rate does not accurately reflect the effective cost to the Lender of making, funding or maintaining a LIBOR Rate Advance and the costs to the Lender are increased or the income receivable by the Lender is reduced in respect of a LIBOR Rate Advance;
- (c) the making, funding or maintaining of a LIBOR Rate Advance or a portion thereof by the Lender has become impracticable by reason of circumstances which materially and adversely affect the London interbank market; or
- (d) deposits of U.S. Dollars are not available to the Lender in the London interbank market in sufficient amounts in the ordinary course of business for the applicable Lender to make, fund or maintain a LIBOR Rate Advance during the LIBOR Interest Rate Period;

the Lender shall promptly notify the Borrower and the Administrative Agent setting forth the basis of that determination and the Borrower hereby instructs the Lender with notification to the Administrative Agent to repay on the last day of the then current LIBOR Interest Period the

affected LIBOR Rate Advance with the proceeds of a Base Rate (Canada) Advance in the amount of the LIBOR Rate Advance, to be drawn down on the date of such repayment. The Lender shall not be required to make any further LIBOR Rate Advance available under this Agreement so long as any of the circumstances referred to in this Section 3.4(1) continue.

(2) If (i) by reason of circumstances affecting financial markets generally, deposits of U.S. Dollars are unavailable to the Lenders, (ii) adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided in the definition of LIBOR Rate or Base Rate (Canada), as the case may be, (iii) the making or continuation of any Advances has been made impracticable or unlawful (y) by the occurrence of a contingency (other than a mere increase in rates payable by the Lender to fund the Advances) and which materially adversely affects the funding of the Credit Facilities at any interest rate computed on the basis of the LIBOR Rate or the Base Rate (Canada), as the case may be, or (z) by reason of a change since the date of this Agreement in any applicable Law or in the interpretation thereof by any Governmental Entity (whether or not having the force of law but, if not having the force of law, one with which a responsible Canadian chartered bank would comply) affecting financial markets or institutions generally and which results in the LIBOR Rate or the Base Rate (Canada), as the case may be, no longer representing the effective cost to the Lenders of deposits in the market, then:

- (a) the right of the Borrower to select any affected Type of Advance shall be suspended until the circumstances causing the suspension no longer exist and the Administrative Agent so notifies the Borrower;
- (b) if any affected Type of Advance is not yet outstanding, any applicable Accommodation Notice shall be cancelled and the requested Advance shall not be made; and
- (c) if a LIBOR Rate Advance is already outstanding at any time when the right of the Borrower to select LIBOR Rate Advances is suspended, it and all other LIBOR Rate Advances in the same Borrowing shall become Base Rate (Canada) Advances on the last day of the then current LIBOR Interest Period (or on such earlier date as may be required to comply with any applicable Law).

3.5 Interest on Advances.

(1) The Borrower shall pay interest on the unpaid principal amount of each Advance from the date of the Advance until the principal amount of the Advance is repaid in full, at the following rates per annum:

- (a) if and so long as the Advance is a Base Rate (Canada) Advance, at a rate per annum equal at all times to the Base Rate (Canada) in effect from time to time plus the Applicable Base Rate (Canada) Margin; and
- (b) if and so long as the Advance is a LIBOR Rate Advance, at a rate per annum equal, at all times during each LIBOR Interest Period for such LIBOR Rate Advance, to the sum of the LIBOR Rate for such LIBOR Interest Period plus the Applicable LIBOR Rate Margin.

(2) Interest on Base Rate (Canada) Advances shall be calculated and payable in arrears (i) on the fifth Business Day of each month and (ii) when the Advance becomes due and payable in full or is repaid. Interest on LIBOR Rate Advances shall be calculated and payable on the last day of the LIBOR Interest Period, or, if such period is more than 90 days, on the day which is 90 days after the start of the LIBOR Interest Period, on each day which is 90 days thereafter, and on the last day of the LIBOR Interest Period.

ARTICLE 4

DOCUMENTARY CREDITS

4.1 Documentary Credits.

The Issue Lender agrees, on the terms and conditions of this Agreement, to issue Documentary Credits under the Operating Facility only for the account of the Borrower from time to time on any Business Day prior to the Operating Repayment Date.

4.2 Procedure for Issue.

(1) Each Issue shall be made on notice (an “**Issue Notice**”) given by the Borrower to the Administrative Agent not later than 1:00 p.m. (Toronto time) on the number of days notice specified in Schedule 4. The Issue Notice shall be in substantially the form of Schedule 3 shall be irrevocable and binding on the Borrower and shall specify (i) the requested date of Issue (the “**Issue Date**”), (ii) the Type of Documentary Credit, (iii) the Face Amount of the Documentary Credit, (iv) the expiration date, and (v) the name and address of the Beneficiary. The Administrative Agent shall, upon receipt of an Issue Notice, provide a copy of the Issue Notice to the Issue Lender and to each other Lender.

(2) Not later than 1:00 p.m. (Toronto time) on the Issue Date, the Issue Lender shall issue a Documentary Credit completed in accordance with the Issue Notice in the appropriate form. Upon receipt of the Documentary Credits and upon fulfilment of the conditions set forth in Article 5, the Administrative Agent shall deliver the Documentary Credits to or to the order of the Borrower.

(3) No Documentary Credit shall require that payment against a conforming draft be made on the same Business Day upon which the draft was presented, unless such presentation is made before 1:00 p.m. (Toronto time) on such Business Day.

(4) Prior to the Issue Date, the Borrower shall provide a precise description of the documents and the verbatim text of any certificates to be presented by the Beneficiary which, if presented by the Beneficiary, would require the Issue Lender, to make payment under the Documentary Credit. The Issue Lender may require reasonable changes in any such document or certificate.

4.3 Form of Documentary Credits.

Each Documentary Credit (i) shall be in United States Dollars, (ii) shall be dated the Issue Date (iii) shall have an expiration date on a Business Day which occurs no more than one year after the Issue Date (provided, however, no expiration date shall be a date after the Operating Repayment Date), and (iv) shall comply with the definition of Documentary Credit. The

aggregate of the Face Amounts of all issued Documentary Credits shall not exceed \$10,000,000 at any time.

4.4 Use of Documentary Credits.

The Borrower shall use Documentary Credits for the sole purpose of supporting (i) the purchase of Inventory in the ordinary course of business, (ii) the Borrower's workers' compensation liabilities or directors' and officers' insurance, (iii) the obligations of third party insurers in any jurisdiction requiring third party insurers, (iv) debt of the Borrower in respect of industrial revenue or development bonds or financings, (v) performance, payment, deposit or surety obligations of the Borrower, in any case if required by law or in accordance with custom and practice in its industry, (vi) the replacement of and/or securing with a back-to-back Documentary Credit of commercial letters of credit, standby letters of credit or letters of guarantee of the Borrower or a Subsidiary (or any predecessors thereof) existing on the Closing Date, or (vii) for any other purpose approved by the Issue Lender.

4.5 Reimbursements of Amounts Drawn.

(1) At or before 11:00 a.m. (Toronto time) on the date specified by a Beneficiary as a drawing date under a Documentary Credit, the Borrower shall pay to the Issue Lender an amount in same day funds equal to the amount to be drawn by the Beneficiary under the Documentary Credit.

(2) If the Borrower fails to pay to the Issue Lender the amount drawn under any Documentary Credit, the unpaid amount due and payable shall be converted automatically as of such date, and without the necessity for the Borrower to give any Borrowing Notice pursuant to Section 3.2, to a Base Rate (Canada) Advance made by the Lenders rateably under the Operating Facility.

4.6 Documentary Credit Participation.

(1) Each Lender shall acquire from the Issue Lender for the Lender's own account and risk, an undivided interest equal to the Lender's pro rata share of the Issue Lender's obligations and rights under each Documentary Credit together with any amount paid by the Issue Lender under a Documentary Credit. If an amount is drawn under any Documentary Credit and the Issue Lender is not reimbursed in full by the Borrower in accordance with the terms of this Agreement or if the amount is converted to an Advance pursuant to Section 4.5(2), each of the Lenders shall pay to the Issue Lender, upon demand, an amount equal to such Lender's pro rata share of the amount which is not so reimbursed or shall acquire its pro rata share of the Advance into which the amount is converted, as the case may be.

(2) If any amount required to be paid by a Lender to the Issue Lender pursuant to Section 4.6(1) is not paid to the Issue Lender within two Business Days after the date the payment is due, the Lender shall pay to the Issue Lender, on demand, such amount together with interest, from the date the payment was to be made until the date it is actually made, at the prevailing interbank rate. A certificate of the Issue Lender, submitted to the relevant Lender with respect to any amounts owing under this section shall be conclusive, absent manifest error.

(3) If, at any time after the Issue Lender has made a payment under any Documentary Credit and has received from the Lenders their pro rata share of such payment, the Issue Lender receives a payment in respect of the Documentary Credit (whether directly from the Borrower or otherwise), the Issue Lender will distribute to the Lenders their pro rata share of such payment; provided, however, if any payment so received by the Issue Lender shall be required to be returned by the Issue Lender, each Lender shall return to the Issue Lender the portion thereof previously distributed to it.

4.7 Risk of Documentary Credits.

(1) In determining whether to pay under a Documentary Credit, the Issue Lender shall be responsible only to determine that the documents and certificates required to be delivered under the Documentary Credit have been delivered and that they comply on their face with the requirements of the Documentary Credit.

(2) The reimbursement obligation of the Borrower under any Documentary Credit shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including (i) any lack of validity or enforceability of a Documentary Credit, (ii) the existence of any claim, set-off, defence or other right which the Borrower may have at any time against a Beneficiary, the Issue Lender or any other Person, whether in connection with the Credit Documents and the transactions contemplated therein or any other transaction (including any underlying transaction between the Borrower and the Beneficiary), (iii) any certificate or other document presented with a Documentary Credit proving to be forged, fraudulent or invalid or any statement in it being untrue or inaccurate, (iv) the existence of any act or omission or any misuse of, a Documentary Credit or misapplication of proceeds by the Beneficiary, including any fraud in any certificate or other document presented with a Documentary Credit in each case unless, before payment of a Documentary Credit, (x) the Borrower has delivered to the Issue Lender a written notice of the fraud together with a written request that it refuse to honour such drawing, (y) the fraud by the Beneficiary has been established to the knowledge of the Issue Lender so as to make the fraud clear or obvious to the Issue Lender, and (z) in the case of fraud in the underlying transaction between the Borrower and the Beneficiary, the fraud is of such character as to make the demand for payment by the Beneficiary under the Documentary Credit a fraudulent one, (v) payment by the Issue Lender under the Documentary Credit against presentation of a certificate or other document which does not comply with the terms of the Documentary Credit, unless such payment is inconsistent with the standards of reasonable care specified in the *Uniform Customs and Practice for Documentary Credits* (1993 Revision), ICC Publication 500 (or any replacement publication), or (vi) the existence of a Default or Event of Default.

(3) The Issue Lender shall not be responsible for (i) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Documentary Credit or the rights or benefits under it or proceeds of it, in whole or in part, which may prove to be invalid or ineffective for any reason, (ii) errors, omissions, interruptions or delays in transmission or delivery of any messages by mail, facsimile or otherwise, (iii) errors in interpretation of technical terms, (iv) any loss or delay in the transmission of any document required in order to make a drawing, and (v) any consequences arising from causes beyond the control of the Issue Lender, including the acts or omissions, whether rightful or wrongful, of any Governmental Entity. None of the above shall affect, impair, or prevent the vesting of any of the Issue Lender's rights or powers under this Agreement. Any action taken or omitted by the Issue Lender under or in

connection with any Documentary Credit or the related certificates, if taken or omitted in good faith, shall not put the Issue Lender under any resulting liability to the Borrower provided that the Issue Lender acts in accordance with the standards of reasonable care specified in the *Uniform Customs and Practice for Documentary Credits* (1993 Revision), ICC Publication 500 (or any replacement publication).

4.8 Fees.

(1) The Borrower shall pay to the Administrative Agent, on behalf of the Issue Lender, (i) a fronting fee in respect of each Documentary Credit equal to 0.125% of its Face Amount (the “**L/C Fronting Fee**”), and (ii) a fee equal to the Applicable L/C Margin of the Face Amount, of each Documentary Credit (subject to a minimum fee of \$500) for the period during which the Documentary Credit is outstanding (the “**L/C Maintenance Fee**”). The L/C Fronting Fee shall be payable on the date of issue of a Documentary Credit and shall be non-refundable and the L/C Maintenance Fee shall be calculated and payable quarterly in arrears on the fifth Business Day following the end of each Financial Quarter.

(2) The Borrower shall pay to the Issue Lender, upon the issuance, amendment or transfer of each Documentary Credit issued by the Issue Lender and each drawing made under it, the Issue Lender's standard and prevailing documentary and administrative charges for issuing, amending, transferring or drawing under, as the case may be, Documentary Credits of similar amount, term and risk.

4.9 Repayments.

(1) If the Borrower is required to repay the Accommodations pursuant to Article 2 or Article 8, then the Borrower shall pay to the Administrative Agent an amount equal to each Lender's contingent liability in respect of (i) any outstanding Documentary Credit, and (ii) any Documentary Credit which is the subject matter of any order, judgment, injunction or other such determination (a “**Judicial Order**”) restricting payment under and in accordance with such Documentary Credit or extending the Lender's liability under such Documentary Credit beyond its stated expiration date. Payment in respect of each Documentary Credit shall be due in the currency in which the Documentary Credit is denominated.

- (2) The Issue Lender shall, with respect to any Documentary Credit, upon the later of:
- (a) the date on which any final and non-appealable order, judgment or other such determination has been rendered or issued either terminating the applicable Judicial Order or permanently enjoining the Lender from paying under such Documentary Credit; and
 - (b) the earlier of (i) the date on which either (x) the original counterpart of the Documentary Credit is returned to the Issue Lender for cancellation, or (y) the Issue Lender is released by the Beneficiary from any further obligations, and (ii) the expiry (to the extent permitted by any applicable law) of the Documentary Credit,

pay to the Borrower an amount equal to the difference between the amount paid to the Issue Lender pursuant to Section 4.9(1) and the amounts paid by the Issue Lender under the Documentary Credit.

4.10 Documentary Credits Outstanding Upon Default.

If any Documentary Credits are outstanding upon the occurrence of an Event of Default, the Borrower shall immediately pay to the Administrative Agent for the account of the Issue Lender an amount (the “**Documentary Credit Deposit Amount**”) equal to the undrawn principal amount of the Documentary Credits. The Documentary Credit Deposit Amount shall be held by the Administrative Agent in an interest bearing account to be applied on any drawing by a Beneficiary. If no drawing is made in respect of a Documentary Credit prior to its expiry date, the Documentary Credit Deposit Amount applicable thereto and any accrued interest thereon, or such part thereof as has not been paid out, shall be returned to the Borrower promptly following the expiry or cancellation of the Documentary Credit.

ARTICLE 5 CONDITIONS OF LENDING

5.1 Conditions Precedent to the Initial Accommodation.

The obligation of each Lender to make its initial Accommodation under the Credit Facilities on or after the Closing Date is subject to fulfilment of the following conditions precedent on the Closing Date:

- (a) no Default or Event of Default has occurred or is continuing or would arise immediately after giving effect to or as a result of the Accommodation;
- (b) the Accommodation will not violate any applicable Law;
- (c) the representations and warranties of the Borrower and the Guarantors contained in Article 6 and of the Credit Parties contained in any other Credit Document are true and correct in all material respects on the date of the Accommodation as if such representations and warranties were made on that date;
- (d) receipt by the Administrative Agent of a satisfactory Compliance Certificate for the quarter ended April 2, 2005;
- (e) the Administrative Agent has received, in form, substance, scope and dated a date satisfactory to each Lender and counsel to the Lenders and in sufficient quantities for each Lender;
 - (i) certified copies of (i) the charter documents and the by-laws of the Borrower and each other Credit Party, and any shareholders or partnership agreement or declaration of trust applicable thereto, as the case may be, (ii) all resolutions of the board of directors, shareholders, partners or trustees, as the case may be, of the Borrower and each other Credit Party approving the borrowing (in the case of the Borrower only) and other matters contemplated by this Agreement and the other Credit Documents,

- and (iii) a list of the officers, directors or Persons, as the case may be, authorized to sign agreements on behalf of the Borrower and each such other Credit Party, together with their specimen signatures;
- (ii) a certificate of status, compliance or like certificate with respect to the Borrower and each other Credit Party issued by the appropriate Governmental Entity of the jurisdiction of its incorporation or creation, as the case may be, and of each jurisdiction in which it owns any material assets or carries on any material business;
 - (iii) duly executed and delivered original copies of this Agreement and the other Credit Documents (including the (a) Acknowledgements and Confirmations; (b) the Intercreditor Acknowledgment Agreement; and (c) the CCL Security identified on Schedule 5A);
 - (iv) evidence of registration of the CCL Security in such jurisdictions as the Administrative Agent may require;
 - (v) certificates of insurance showing the Administrative Agent on behalf of itself and the Lenders as loss payee and named insured under the insurance policies required pursuant to Section 7.1(q);
 - (vi) title insurance policies in respect of the CCL Acquired Properties. Each such policy shall (A) be in an amount satisfactory to the Administrative Agent, acting reasonably; (B) be issued at ordinary rates; (C) ensure that the Mortgage insured thereby creates a valid first Lien on such Mortgage Properties free and clear of all Liens, except as disclosed therein, the Permitted Liens and/or which is acceptable to the Administrative Agent; (D) name the Administrative Agent for the benefit of the Lenders as the insured thereunder; (E) be in a form acceptable to the Administrative Agent; (F) contain such endorsements and affirmative coverage as the Administrative Agent may reasonably request; and (G) be issued by title company satisfactory to the Administrative Agent (including any such title companies acting as co-insurers or re-insurers, at the option of the Administrative Agent). The Administrative Agent shall have received evidence satisfactory to it that all premiums in respect of each such policy, all charges for mortgage recording tax, and all related expenses, if any, have been paid;
 - (vii) favourable opinions of counsel to the Borrower and each other Credit Party; and
 - (viii) such other certificates and documentation as the Administrative Agent may reasonably request;
- (f) consummation of the transactions contemplated by the CCL Acquisition, including without limitation satisfaction of all conditions precedent therein without waiver or amendment thereto;

- (g) in the opinion of each Lender, no material adverse change shall have occurred since December 31, 2004 in the business operations, results of operations, prospects, assets, liabilities or financial condition of the Credit Parties taken as a whole;
- (h) the Borrower shall have obtained all consents from Governmental Entities and other Persons necessary to effect the consummation of the CCL Acquisition;
- (i) all Fees and other amounts then payable under the Credit Documents have been paid in full (including payment of the fees and expenses of U.S. and Canadian counsel to the Administrative Agent and the Lenders);
- (j) the Borrower shall have received an amount of not less than an aggregate of \$150,000,000 from an equity offering of units by KCP Fund by way of the subscription for shares of the Borrower by KIK Acquisition and from the issuance of the Exchangeable Debentures, which proceeds shall be available to pay (together with Advances under the Term Facility) the purchase price in full of the CCL Acquisition and all related fees and expenses therefor and an amount of not less than Cdn.\$3,000,000 shall have been allocated by the Borrower to the Distributable Cash Flow Reserve such that such reserve is in the aggregate amount on the Closing Date Cdn.\$3,801,000; and
- (k) there shall not have occurred, developed or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law, judgment, order, inquiry or other occurrence of any nature whatsoever which materially adversely affects, or may materially adversely affect, the financial, banking (including syndication markets) or capital markets in Canada or the United States of America.

5.2 Conditions Precedent to Accommodations and Conversions.

(1) The obligation of each Lender to make Accommodations or otherwise give effect to any Accommodation Notice is subject to fulfilment of the following conditions at the time of any Accommodation Notice or Accommodation, as the case may be:

- (a) no Default or Event of Default has occurred or is continuing or would arise immediately after giving effect to or as a result of the Accommodation or Accommodation Notice;
- (b) the Accommodation will not violate any applicable Law; and
- (c) the representations and warranties of the Borrower contained in Article 6 are true and correct in all material respects on the date of the Accommodation or Accommodation Notice as if they were made on that date.

(2) Each of the giving of any Accommodation Notice by the Borrower and the acceptance by the Borrower of any Accommodation shall be deemed to constitute a representation and warranty by the Borrower that, on the date of such Accommodation Notice or Accommodation, as the case may be, and after giving effect to it and to the application of any

proceeds from it, the statements set forth in Sections 5.2(1)(a), 5.2(1)(b) and 5.2(1)(c) are true and correct.

5.3 No Waiver.

The making of an Accommodation or otherwise giving effect to any Accommodation Notice, without the fulfilment of one or more conditions set forth in Section 5.1 or Section 5.2, shall not constitute a waiver of any condition and the Administrative Agent and the Lenders reserve the right to require fulfilment of such condition in connection with any subsequent Accommodation Notice or Accommodation.

ARTICLE 6 REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties.

Each of KLP, KIK Acquisition, the Borrower and each of its Subsidiaries (in this Article 6, each of KLP, KIK Acquisition, the Borrower and its Subsidiaries each being a “**Representing Party**”) jointly and severally represent and warrant to the Administrative Agent and each Lender, acknowledging and confirming that the Administrative Agent and each Lender is relying on such representations and warranties without independent inquiry in entering into this Agreement and providing Accommodations that:

- (a) **Incorporation and Qualification.** Each Representing Party is a corporation, limited liability company, partnership or trust, as the case may be, duly incorporated or created, as the case may be, and organized and validly existing under the laws of its jurisdiction of incorporation or creation, as the case may be. Each Representing Party is qualified, licensed or registered to carry on business under the laws applicable to it in all jurisdictions in which such qualification, licensing or registration is necessary, except where the failure to be so qualified would not have a Material Adverse Effect;
- (b) **Corporate Power.** Each Representing Party has all requisite power and authority to (i) own, lease and operate its properties and assets and to carry on its business as now being conducted by it, and (ii) enter into and perform its obligations under the Credit Documents to which it is a party;
- (c) **Conflict With Other Instruments.** The execution and delivery by each Representing Party and the performance by each of them of their respective obligations under, and compliance with the terms, conditions and provisions of, the Credit Documents to which they are a party will not (i) conflict with or result in a breach of any of the terms or conditions of (t) its constituting or charter documents, by-laws or any shareholders agreement, partnership agreement, operating agreement or declaration of trust applicable to it, (u) any applicable Law, (v) any contractual restriction binding on or affecting it or its properties, or (w) any judgment, injunction, determination or award which is binding on it, or (ii) result in, require or permit (x) the imposition of any Lien in, on or with respect to any of its assets or property (except in favour of the Administrative Agent and the Lenders), (y) the acceleration of the maturity of any Debt binding on or

affecting it, or (z) any third party to terminate or acquire rights under any Material Agreement;

- (d) **Corporate Action, Governmental Approvals, etc.** The execution and delivery by each Representing Party of each of the Credit Documents to which it is a party and the performance by each Representing Party of its respective obligations thereunder have been duly authorized by all necessary action, corporate or otherwise, including, without limitation, the obtaining of all necessary shareholder, partner, trustee or unitholder consents, as the case may be. No authorization, consent, approval, registration, qualification, designation, declaration or filing with any Governmental Entity or other Person, is or was necessary in connection with the execution, delivery and performance by each Representing Party of its obligations under the Credit Documents to which it is a party, except as are in full force and effect, unamended, at the date of this Agreement;
- (e) **Execution and Binding Obligation.** This Agreement and the other Credit Documents have been, or on the date of the initial Accommodations hereunder, shall be, duly executed and delivered by each Representing Party which is a party thereto and constitute legal, valid and binding obligations of each such Representing Party enforceable against them in accordance with their respective terms, subject only to any limitation under applicable laws relating to (i) bankruptcy, insolvency, arrangement or creditors' rights generally, and (ii) the discretion that a court may exercise in the granting of equitable remedies;
- (f) **Authorizations, etc.** Except as set forth in Schedule 6.1(f), each Representing Party possesses all material authorizations, permits, consents, registrations and approvals necessary to properly conduct its respective businesses at full operating capacity and all such authorizations, permits, consents, registrations and approvals are in good standing and in full force and effect;
- (g) **Solvency.** No Representing Party has ever (i) been insolvent or generally not been able to pay its debt as they became due, (ii) admitted in writing its inability to pay its debts generally or made a general assignment for the benefit of creditors, (iii) instituted or has had instituted against it any case, proceeding or other action seeking (x) to adjudicate it a bankrupt or insolvent, (y) liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law of any jurisdiction relating to bankruptcy, insolvency, winding-up, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors, or (z) the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its properties and assets, and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remained undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurred, or (iv) taken any action in furtherance of, or indicating its consent to or approval of, any of the above actions.

- (h) **Conduct of Business.** The Business is being carried on in the ordinary course;
- (i) **Intellectual Property.** Except as set forth in Schedule 6.1(i), each Representing Party possesses all the Intellectual Property reasonably necessary for the conduct of the Business. To the best of the knowledge of each Representing Party, no Representing Party is infringing or is alleged to be infringing on the rights of any Person with respect to any Intellectual Property (or any application or registration in respect thereof), licence, discovery, improvement, process, formula, know-how, data, plan or specification;
- (j) **Ownership and Use of Property.** Except for Permitted Liens, the Representing Party which owns each Owned Property has good and marketable title in fee simple thereto and good and merchantable title to all the tangible and intangible personal property reflected as assets in its books and records in each case free and clear of any Liens. Each Representing Party owns, leases or has the lawful right to use all of the assets necessary for the conduct of their respective businesses at full operating capacity. The Subject Properties are being used and operated in compliance in all material respects with all applicable Environmental Laws. Prior to December 31, 2002, a perimeter chlorine detection system was installed in compliance in all material respects with all applicable Environmental Laws at the property located at 9028 Dice Road, Sante Fe Springs, California. No Mortgage encumbers improved real property that is located in an area that has been identified by the Secretary of Housing and Urban Development of the United States of America as an area having special flood hazards and in which flood insurance has not been made available under the National Flood Insurance Act of 1968;
- (k) **Ownership of Subject Properties.** No Representing Party (i) owns any real property other than the Owned Properties, or (ii) is bound by any agreement to own or lease any real property other than the Leases;
- (l) **Leased Properties.** Each Lease is in full force and effect and all amounts owing by a Representing Party under it have been paid by the Representing Party which is the lessee thereunder. All landlords under the Leases are arm's length to the Representing Party which is the lessee thereunder;
- (m) **Work Orders.** Except as set forth in Schedule 6.1(m), there are no outstanding work orders of which any Representing Party has received notice, requiring, in aggregate, expenditures exceeding \$100,000 relating to the Subject Properties from or required by any police or fire department, sanitation, health, environmental or factory authorities or from any other federal, state, provincial or municipal authority, nor are any matters relating to the Owned Properties or, to the best of their knowledge, relating to any of the Subject Properties, under discussion with any such departments or authorities relating to work orders;
- (n) **Expropriation.** Except as may be disclosed in the title insurance policies obtained by the Administrative Agent and the Lenders, no part of any of the Subject Properties or the Buildings and Fixtures located on the Subject Properties has been taken or expropriated by any Governmental Entity, no written notice or

proceeding in respect of an expropriation been given or commenced nor is any Representing Party aware of any intent or proposal to give any such notice or commence any such proceedings;

- (o) **Encroachments.** To the best of the knowledge of the Representing Parties, except for Permitted Liens, the Buildings and Fixtures located at each of the Subject Properties are located entirely within such Subject Property and are in conformity in all material respects with set -back and coverage requirements of all applicable Governmental Entities;
- (p) **Compliance with Laws.** To the best of the knowledge of the Representing Parties, each of the Subject Properties have been used, and each of the Representing Parties is, in material compliance with all Environmental Laws and all other applicable material Laws;
- (q) **No Default.** No Representing Party is in violation of or default under its constating or charter documents, its by-laws or any shareholders' agreement, partnership agreement, operating agreement or declaration of trust applicable to it. No Representing Party is in violation of or default under any indenture, mortgage, deed of trust or other similar instrument to which it is a party or by which any of its property or assets is bound;
- (r) **No Burdensome Agreement.** No Representing Party is a party to any agreement or instrument or subject to any restriction (including any restriction set forth in its constating or charter documents, its by-laws or any shareholders' agreement, partnership agreement or declaration of trust applicable to it) materially and adversely affecting its operations, business, assets or financial condition or any other restriction or any kind or character which could prevent the consummation of the transactions contemplated by the Credit Documents or compliance by the Representing Parties with the terms, conditions and provisions thereof or the continued operation of the Business after the date hereof on substantially the same basis as heretofore operated;
- (s) **No Litigation.** Except as disclosed in Schedule 6.1(s) there is no action, suit or proceeding, at law or in equity, by any Person, nor any arbitration, administrative or other proceeding by or before (or to the best of the knowledge of each Representing Party any investigation by) any Governmental Entity pending, or to the best of the knowledge of each Representing Party, threatened against or affecting the Representing Parties or any of their respective properties, assets or rights or any of the Collateral which involve claims individually or in the aggregate in excess of \$100,000 or if adversely determined could reasonably be expected to result in or have a Material Adverse Effect, could affect the enforceability of the Credit Documents or could materially adversely affect the ability of the Representing Parties to perform their obligations hereunder or thereunder, and each Representing Party does not know of any valid basis for any such action, suit, proceeding, arbitration or investigation. Except as disclosed on Schedule 6.1(s), none of the Representing Parties is subject to any judgment, order or decree entered in any lawsuit or proceeding;

- (t) **Books and Records.** All books and records of the Representing Parties have been fully and accurately kept and completed and there are no material inaccuracies or discrepancies of any kind contained or reflected therein. The Representing Parties' records, systems, controls, data or information are not recorded, stored, maintained, operated or otherwise wholly or partly dependent upon or held by any means (including any electric, mechanical or photographic process, whether computerized or not) which (including all means of access thereto and therefrom) are not under the direct control of each such Representing Party;
- (u) **Environmental Matters.** Except as set forth in Schedule 6.1(u):
- (i) other than in compliance in all material respects with Environmental Laws, to the best of the knowledge of the Representing Parties, none of the Owned Properties and none of the Leased Properties or other properties or assets now or previously owned, leased or used by or under the control or management of any Representing Party (i) has ever been used by any Person as a waste disposal site or a landfill, or (ii) has ever had any Hazardous Materials or aboveground or underground storage systems, active or abandoned, located on, at or under it;
 - (ii) other than in compliance in all material respects with Environmental Laws, no Representing Party, and, to the best of the knowledge of each Representing Party, no Person for which any Representing Party is responsible by contract or by operation of law, has transported, removed or disposed of any Hazardous Materials to any location in a manner that has resulted or could reasonably be expected to result in any Environmental Liabilities against such Representing Party;
 - (iii) there have been no past, and there are no pending or threatened (in writing) claims, complaints, notices or requests for information received by any of the Representing Parties with respect to any alleged material violation of any Environmental Law (whether or not giving rise or potentially giving rise to Environmental Liabilities) which have not been satisfactorily resolved;
 - (iv) no Owned Property now or, to the best of the knowledge of each Representing Party, Leased Property or other property or asset now or previously owned, leased or used by or under the control or management of any Representing Party, is presently listed or, in each case, to the best of the knowledge of each Representing Party, is proposed for listing on any list of sites of any Governmental Entity requiring investigation or clean-up; and
 - (v) to the best of the knowledge of each Representing Party, no conditions exist at, on or under any Subject Property or other property or asset now or previously owned, leased or used by or under the control or management of any Representing Party which, with the passage of time, or the giving

of notice or both, would give rise to any Environmental Liability which could reasonably be expected to have a Material Adverse Effect;

- (v) **Federal Reserve Regulations.** No Representing Party either owns any Margin Stock or is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock. No part of the proceeds of the Credit Facilities will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, (i) to purchase or carry Margin Stock or to extend credit to others for the purpose of purchasing or carrying Margin Stock or to refund indebtedness originally incurred for such purpose, or (ii) for any purpose which entails a violation of, or which is inconsistent with, the provisions of the Regulations of the Board, including, without limitation, Regulation T, U or X thereof. If requested by the Administrative Agent or any Lender, KLP, KIK Acquisition or the Borrower shall, as the case may be, cause any Representing Party to furnish to the Administrative Agent or such Lender a statement on Federal Reserve Form U-1 referred to in said Regulation U;
- (w) **Pension Plans.** Schedule 6.1(w) contains a list of all pension and benefit plans of each Representing Party. All contributions required under applicable Law have been made in respect of all pension plans of each of the Representing Parties and each such pension plan is fully funded on an ongoing and termination basis;
- (x) **ERISA.** None of a Reportable Event, non-exempt “prohibited transaction” (within the meaning of Section 4975 of the Code or Section 406 of ERISA) or an “accumulated funding deficiency” (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favour of the PBGC or a Plan has arisen. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation and warranty is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits. Neither the Borrower nor any ERISA Affiliate has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Borrower nor any ERISA Affiliate could become subject to any material liability under ERISA if the Borrower or any such ERISA Affiliate were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation and warranty is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent. There are no pending or, to the knowledge of any Representing Party, threatened claims, actions or lawsuits with respect to any Plan that could reasonably be expected to result in or have a Material Adverse Effect.
- (y) **Investment Company Act.** No Representing Party is an “investment company” within the meaning of the *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 *Public Utility Holding Company Act of 1935*, as amended;

- (z) **Material Agreements, etc.** Each Representing Party is in compliance in all material respects with all Material Agreements to which it is a party and none of the Representing Parties, or to the best of the knowledge of each Representing Party, any other party to any Material Agreement has caused a breach or a violation of or defaulted under any of the Material Agreements, in each case, in any material respect. No event has occurred which, with the giving of notice, lapse of time or both, would constitute a breach or a violation or a default under, or in respect of, any Material Agreement, in each case, in any material respect. There is no material dispute regarding any Material Agreement;
- (aa) **Labour Matters.** There is no existing or, to the best of the knowledge of each Representing Party, threatened strike, lock-out or other dispute relating to any collective bargaining agreement to which any Representing Party is a party. Schedule 6.1(aa) contains a list of all labour and collective agreements to which any Representing Party is a party;
- (bb) **Tax Liability.** Each Representing Party has filed all material tax and information returns which are required to be filed, and has paid all taxes, interest and penalties, if any, due and owing, other than those in respect of which liability is being contested in good faith and by appropriate proceedings where adequate reserves have been established in accordance with GAAP. Adequate provision for payment has been made for taxes not yet due. There are no tax disputes existing or pending involving any of the Representing Parties;
- (cc) **Disclosure.** All (i) forecasts and projections heretofore supplied to the Lenders were prepared in good faith, adequately disclosed all assumptions relevant thereto and are reasonable estimates (at the date hereof) of the prospects for the Business; and (ii) other written information prepared by or on behalf of the Representing Parties heretofore supplied to the Administrative Agent and the Lenders is true and accurate in all material respects. There is no fact which materially affects the Business, condition, affairs, operations, property, assets or prospects of the Representing Parties, which has not been fully disclosed in writing to the Lenders or has been reported in the financial statements delivered to the Agent and the Lenders pursuant to Section 7.1(a) including the management discussion and analysis that is contained therein. Since July 5, 2003, there has been no change which can be reasonably anticipated to have a Material Adverse Effect;
- (dd) **Financial Statements.** The unaudited interim consolidated financial statements of the Borrower for the quarter ended April 2, 2005, copies of which have been furnished to the Administrative Agent and the Lenders, fairly present the financial position of the Borrower on a consolidated basis as of such dates and the results of its operations and changes in its financial position for such periods, all in accordance with GAAP. Between April 2, 2005 and the date hereof, there has been no material adverse change in the combined financial position or results of the operations of the Borrower and its Subsidiaries and taken as a whole;

- (ee) **Nature of Business.** The only business carried on by the Borrower and its Subsidiaries is the Business, and KIK Acquisition and KLP carry on no business;
- (ff) **Corporate Structure.** At the date of this Agreement:
 - (i) there is no Subsidiary of any Representing Party other than the Subsidiaries identified as such in Schedule 6.1(gg);
 - (ii) the share, unit or other ownership interest of each of the Representing Parties is as described in Schedule 6.1(gg);
 - (iii) the only shareholders, partners, unitholders or trustees of the Representing Parties are as set forth in Schedule 6.1(gg); and
 - (iv) Schedule 6.1(gg) sets forth the complete particulars of (i) such shareholders, partners, unitholders and trustees, and (ii) the interest of each shareholder, partner, unitholder and trustee in each Representing Party;
- (gg) **Subsidiaries, etc.** None of the shareholders, partners, unitholders or trustees identified as such in Section 6.1(gg) above is a party to any unanimous shareholders', shareholders' partnership or other agreement or declaration of trust relating to shares, interests or units owned by such shareholder, partner, unitholder or trustee in a Representing Party, other than the KLP Limited Partnership Agreement (in the case of KLP) and the KOP Partnership Agreement (in the case of the Borrower, KOP and KLP). No Person has any agreement, option, right or privilege, whether pre-emptive or contractual, capable of becoming an agreement or option for the purchase of any interest in or in any securities of any Representing Party;
- (hh) **French Forms of Names.** There is no French form of the corporate or other name of any of the Representing Parties; and
- (ii) **Schedule Disclosure.** At the date of this Agreement:
 - (i) Schedule 6.1(jj)(i) is a list of all jurisdictions (or registration districts within such jurisdictions) in which each Representing Party (i) have their respective chief executive office, head office, registered office and chief place of business, (ii) carry on business, or (iii) store any tangible personal property (except for goods in transit in the ordinary course of business); and
 - (ii) Schedule 6.1(jj)(ii) is a list of all Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks and Trademark Licenses (and the application and registration particulars thereof) of each Representing Party.

6.2 Survival of Representations and Warranties.

The representations and warranties in this Agreement and in any certificates or documents delivered to the Administrative Agent and the Lenders shall not merge in or be prejudiced by and

shall survive any Accommodation and shall continue in full force and effect so long as any amounts are owing by the Borrower to the Administrative Agent and the Lenders under this Agreement.

ARTICLE 7 COVENANTS OF THE BORROWER

7.1 Affirmative Covenants

So long as any amount owing under this Agreement remains unpaid or any Lender or the Administrative Agent has any obligation under this Agreement, and unless consent is given in accordance with Section 9.16, the Borrower and each of its Subsidiaries shall (and KLP and KIK Acquisition shall with respect to subsections (c), (d)(i), (d)(ii), (d)(iv), (d)(v), (d)(vi), (e), (f), (g), (j), (l), (m), (o), (p), (r), (s), (w) and (x) below) do the following:

- (a) **Financial Reporting.** Deliver to the Administrative Agent (with sufficient copies for each of the Lenders):
 - (i) as soon as practicable and in any event within 30 days of the commencement of each Financial Year, the Annual Operating Budget for the Financial Year;
 - (ii) as soon as practicable and in any event within 45 days after the end of each of the first three Financial Quarters in each Financial Year (x) a consolidated unaudited balance sheet of the Borrower as of the end of the Financial Quarter, and (y) the related consolidated unaudited statements of earnings and retained earnings and consolidated unaudited statements of cash flow for the Financial Quarter and for the period commencing at the end of the previous Financial Year and ending with the end of the Financial Quarter; in each case (except for the statement of cash flow) setting forth in comparative form the figures for the corresponding Financial Quarter and corresponding portion of the previous Financial Year;
 - (iii) as soon as practicable and in any event within 120 days after the end of each Financial Year, a copy of the audited financial statements of the Borrower for the Financial Year prepared on a consolidated basis reported on by the independent auditors of the Borrower, together with management reporting letters; and
 - (iv) together with each delivery of financial statements in (ii) and (iii) above by the Borrower, a (x) Compliance Certificate together with all necessary calculations to show compliance with all financial covenants, and (y) a Distributable Free Cash Flow Compliance Certificate.
- (b) **Accounts Receivable and Inventory Reporting.** Deliver to the Administrative Agent (with sufficient copies for each of the Lenders) promptly on demand by the Administrative Agent (and in any event not less frequently than the 15th day of each month) in respect of the preceding month (i) a detailed statement and an

ageing of the accounts receivable of the Borrower and its Subsidiaries and such other details, including classification by name and currency as the Administrative Agent and the Lenders may reasonably require, (ii) a summary detailed statement of Inventory of the Borrower and its Subsidiaries, and (iii) a Borrowing Base Certificate, calculated as of the date of such certificate.

- (c) **Environmental Reporting.** Promptly, and in any event within 10 days, deliver to the Administrative Agent (with sufficient copies for each of the Lenders) a detailed statement describing any of the following occurrences (i) any order or judgment of any Governmental Entity requiring the Borrower or any of its Subsidiaries to incur Environmental Liabilities (w) in excess of \$100,000 in any one instance, (x) together with all other expenditures incurred in respect of Environmental Liabilities in any Financial Year, in excess of \$100,000 in the aggregate, (ii) any state of affairs which could reasonably be expected to result in the incurrence of Environmental Liabilities (y) in excess of \$500,000 in any one instance, or (z) together with all other expenditures incurred in respect of Environmental Liabilities in any Financial Year, in excess of \$500,000 in the aggregate, and (iii) the action taken or proposed to be taken in connection with such occurrences.
- (d) **Additional Reporting Requirements.** Deliver to the Administrative Agent (with sufficient copies for each of the Lenders)
- (i) as soon as practicable, and in any event within 2 Business Days after the occurrence of any Default or Event of Default involving such Person, a statement of the chief financial officer of such Person or any other officer acceptable to the Administrative Agent setting forth the details of each such Default or Event of Default and the action which such Person proposes to take or has taken,
 - (ii) as soon as practicable, and in any event within 2 Business Days after the occurrence of same, a statement of the chief financial officer of such Person or any other officer acceptable to the Administrative Agent setting forth the details of any default or event, condition or occurrence which with notice or lapse of time, or both, would constitute an event of force majeure or default under (x) any Debt to which it is a party or (y) any Material Agreement to which it is a party,
 - (iii) from time to time upon request of the Administrative Agent, evidence of the maintenance of all insurance required to be maintained pursuant to this Agreement, including originals or copies as the Administrative Agent may request of policies, certificates of insurance, riders, endorsements and proof of premium payments,
 - (iv) promptly upon their issuance, copies of all notices, reports, press releases, circulars, offering documents and other documents filed with, or delivered to, any stock exchange or the Ontario Securities Commission or a similar Governmental Entity in any other jurisdiction,

- (v) promptly upon becoming aware thereof, a notice of any actions, suits, arbitrations or other proceedings or threatened actions, suits, arbitrations or other proceedings which individually or in the aggregate involve a Loss or potential Loss in excess of \$500,000 or which could reasonably be expected to have a Material Adverse Effect, and
 - (vi) such other information respecting the condition or operations, financial or otherwise, of the Business or the Borrower or any Subsidiary as the Administrative Agent, on behalf of the Lenders, may from time to time reasonably request.
- (e) **Corporate Existence.** Except as otherwise permitted in this Agreement, including, without limitation, the liquidations or possible liquidation of 3068072 Nova Scotia Company as described in Schedule 7.2(c), preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate, partnership or trust existence, as the case may be.
- (f) **Compliance with Laws, etc.** Comply in all material respects, and cause each of its Subsidiaries to comply in all material respects, with the requirements of all applicable Laws (including Environmental Laws) and duly observe in all material respects all valid requirements of any Governmental Entity in Canada or the United States as applicable to the Business and the industry of the Business, and maintain the appropriate corporate or other similar registrations in each jurisdiction in which the Borrower or any of its Subsidiaries carries on business, except where the failure to be so registered would not have a Material Adverse Effect;
- (g) **Status of Accounts and Collateral.** With respect to the Collateral (i) maintain and cause each of the Subsidiaries to maintain books and records pertaining to the Collateral in such detail, form and scope as the Administrative Agent shall reasonably require; (ii) immediately notify the Administrative Agent if any account arises out of contracts with any Governmental Entity, and execute any instruments and take any steps required by the Administrative Agent in order that all moneys due or to become due under any such contract shall be assigned to the Administrative Agent and notice thereof given to any such Governmental Entity; (iii) report immediately to the Administrative Agent any matters materially adversely affecting the value, enforceability or collectability of any of the Collateral; (iv) if any amount payable under or in connection with any account is evidenced by a promissory notes or other instrument, immediately pledge, endorse, assign and deliver to the Administrative Agent such promissory note or instrument, as additional Collateral; (v) notify the Administrative Agent in writing of any material agreement under which any terms of sale or service (written or oral) which are materially different from normal operating procedures may have been or will be granted; and (vi) conduct a physical count of the Inventory at such intervals as the Administrative Agent may request, if the Administrative Agent, acting reasonably and upon written notice to the Borrower, informs the Borrower that it requires such a physical count and promptly supply the Administrative Agent with a copy of such counts accompanied by a report of the value (based on the lower of cost (on a FIFO basis) or net realizable value) of such Inventory;

- (h) **Use of Proceeds.** Use the proceeds made available to it under the Credit Facilities only for the purposes specified in Section 2.3 hereof;
- (i) **Credit Policy and Accounts Receivable.** Maintain, at all times, credit policies consistent with good business practices, adhere to such policies in all material respects and collect, and cause each of its Subsidiaries to collect, accounts receivable in the ordinary course of business;
- (j) **Environmental Investigations.** Promptly, if the Administrative Agent has a good faith concern that a discharge of a Hazardous Material has occurred or a condition exists at, on or under any of the Subject Properties or any other properties or assets now or hereafter owned, leased or used by such Person or under the control or management of such Person that individually or in the aggregate involve a Loss or potential Loss in excess of \$500,000 or otherwise could reasonably be expected to have a Material Adverse Effect, cause to be conducted such environmental investigations (including without limitation, environmental site assessments and environmental compliance reviews) as are reasonably required by the Administrative Agent by an environmental consultant approved by the Administrative Agent, such approval not to be unreasonably withheld, and remedy any condition or non-compliance with Environmental Laws revealed by any such investigation;
- (k) **Maintenance of Properties.** In respect of the Borrower, KIK International and KIK (Houston) Inc., use its commercially reasonable best efforts to obtain a permanent occupancy permit by September 30, 2005 for the property located at 2903 Dupree, Houston, Texas. Except in respect of such matters which are the responsibility of the landlords pursuant to the Leases, from time to time, make and cause each of its Subsidiaries to make all such repairs, renewals, replacements, additions and improvements to the Subject Properties and their other properties and assets as are necessary, so that the Business and the Subsidiaries' respective businesses, as the case may be, may be properly and advantageously conducted at all times in all material respects in accordance with prudent business management practice;
- (l) **Auditors.** Appoint as its auditors a firm of national standing and provide written notice of any change thereof to the Administrative Agent;
- (m) **Payment of Taxes and Claims.** Pay or cause to be paid and cause each of its Subsidiaries to pay or cause to be paid, when due, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its income, sales, capital or profit or any other property belonging to it or upon its Subsidiaries, and (ii) all claims which, if unpaid, might by law become a Lien upon the assets, except any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings and in respect of which the Borrower or its Subsidiaries have established adequate reserves in accordance with GAAP or which are Permitted Liens;
- (n) **ERISA.** (a) With respect to each Plan, comply in all material respects with the applicable provisions of ERISA and the Code, and (b) upon the occurrence of any

of the following events furnish notice to the Administrative Agent, as soon as practicable and in any event within 30 days after the Borrower or any Credit Party knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favour of the PBGC or a Plan or any withdrawal from or the termination, Reorganization or Insolvency of, any Multiemployer Plan, or (ii) the institution of proceeds or the taking of any other action by the PBGC or the Borrower or any ERISA Affiliate or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan.

- (o) **Keeping of Books.** Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made in respect of the Business or businesses, as the case may be;
- (p) **Visitation and Inspection.** At any reasonable time or times and upon reasonable prior written notice, permit each Lender and the Administrative Agent to visit the properties of the Borrower and its Subsidiaries, and to discuss their affairs, finances and accounts with the officer appointed as (or performing the functions of) the chief financial officer of such Person;
- (q) **Maintenance of Insurance.** Provide the Administrative Agent promptly with a certificate of insurance in respect of all new insurance policies in respect of the Business and the Subject Properties maintained by the Borrower and its Subsidiaries as soon as such new policies become effective and, in any event, maintain, in respect of itself and each of its Subsidiaries, insurance at all times with responsible insurance carriers and in such amounts and covering such risks as are usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiaries, as the case may be, operate, such policies to show the Administrative Agent on behalf of itself and the Lenders as a loss payee and named insured under a mortgage clause in a form approved by the Insurance Bureau of Canada and the equivalent governing body of the United States of America, as applicable, and such policies being in form, scope and content acceptable to the Administrative Agent and its insurance consultant acting reasonably and in consultation with the Borrower;
- (r) **Cure Defects.** Promptly cure or cause to be cured any defects in the execution and delivery of any of the Credit Documents or any of the other agreements, instruments or documents contemplated thereby or executed pursuant thereto or any defects in the validity or enforceability of any of the Security and at its expense, execute and deliver or cause to be executed and delivered, all such agreements, instruments and other documents as the Administrative Agent may consider necessary or desirable for the foregoing purposes;
- (s) **Protect Security Interests.** Except for the filing of renewal or financing change statements and the making of other filings by the Administrative Agent and the Lenders as secured party or assignee, at all times take all action and supply the Administrative Agent and the Lenders with all information necessary to maintain

the Security as valid and perfected first ranking Security (subject to permitted Purchase Money Mortgages) charging the Collateral covered thereby;

- (t) **Real Estate Security/Other Post Closing Matters.** If such action has not been taken by the Closing Date, Borrower agrees and covenants to do the following (i) use commercially reasonable efforts to obtain, on or before 10 Business Days following the Closing Date: (A) a PPSA acknowledgement from Dupont Color Proofing in respect of file number 876846069, registration number 20011005 1041 9065 5023, (B) a PPSA acknowledgment from Citicapital Technology Finance Ltd. Against in respect of file number 600439383, registration number 20031022 1942 1531 1537, (C) acknowledgments, discharges or other documents satisfactory to the Administrative Agent in respect of the following CSRA Filings: filing by Roytor & Co. a nominee of the Royal Bank of Canada, number CSRA 036252, file number 900362529; filing by The Toronto-Dominion Bank, CSRA number 063679, file number 900636795 and CSRA filing by Crown Cork & Seal Company Limited, (ii) use commercially reasonable efforts to obtain, on or before 30 days following the Closing Date: (A) a landlord non-disturbance agreement regarding 11 Bethridge Road, Etobicoke, Ontario, (B) a landlord non-disturbance agreement regarding 62 Belfield Road, Etobicoke, Ontario (C) a landlord subordination agreement regarding Danville Bi-Lo warehouse in Danville, Illinois and (D) acknowledgments from the respective landlords with respect to the Assumption and Ratification Agreements regarding the leased properties at 101 MacIntosh, Concord, Ontario and at 1202 – 8 Street, Nisku, Alberta and regarding the Assumption Agreements regarding landlord's subordination with respect to the leased properties at 2910 Dupree and 2921 Corder, Houston, Texas and at 646 Carnation Street, St. Tammany Parish, Stidell, Louisiana, (iii) obtain, on or before 5 Business Days following the Closing Date, title insurance commitments and endorsements and any related documents or instruments, all in form and substance satisfactory to the Administrative Agent in respect of the owned real property situate at Cumberland, RI, Memphis, TN and Danville, IL, and endorsements to the title insurance policies currently in place with respect to the owned real properties at 9038 Dice Road, Santa Fe Springs, California, 4901 and 2941 East 39th Avenue, Denver, Colorado, 909 Magnolia Avenue, Auburndale, Florida, 75 Pine View Drive, Hampton, Georgia and 27 Mill Lane, Salem, Virginia and (iv) deliver, on or before 10 Business Days following the Closing Date, all share certificates, membership certificates and promissory notes subject to the pledge agreements granted by any of the Credit Parties in favour of the Administrative Agent (together with all proper transfer powers and endorsements) in proper form and substance as reflected in the respective stock record books, membership record books and financial statements of such Credit Parties, together with complete and corrected schedule 1.2 to each of such pledge agreements.
- (u) **Other Mortgages and Waivers.** With respect to either (A) any fee simple freehold interest in any real property with a fair market value in excess of \$1,000,000 acquired after the Closing Date by the Borrower or any Guarantor, or (B) any real property leased for manufacturing purposes after the Closing Date by the Borrower or any Guarantor, promptly (i) execute and deliver a first priority

freehold (or leasehold in the case of leasehold property) Mortgage in form and substance reasonably satisfactory to the Administrative Agent in favour of the Administrative Agent, for the benefit of the Lenders, covering such real property, (ii) if requested by the Administrative Agent, provide the Lenders with (x) title and extended coverage insurance covering the Borrower or such Guarantor's interest in such real property in an amount at least equal to the purchase price (or the value of the leasehold interest in the case of leasehold property) of such real property (or such other amount as shall be reasonably specified by the Administrative Agent) as well as any existing ALTA survey thereof, together with a surveyor's certificate in the possession or control of the Borrower or such Guarantor, and (y) any consents or estoppels reasonably deemed necessary or advisable by the Administrative Agent in connection with such Mortgage, including without limitation landlord consents and non-disturbance agreements, each of the foregoing in form and substance reasonably satisfactory to the Administrative Agent, and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent. With respect to any real property leased for non-manufacturing purposes after the Closing Date which is not Leased Property on the Closing Date by the Borrower or any Guarantor, promptly provide the Administrative Agent with a landlord waiver in respect of personal property thereon, in form and substance reasonably satisfactory to the Administrative Agent.

- (v) **Owned Property Tenants.** Use all commercially reasonable efforts to cause each tenant, if any, of any Owned Property to enter into an attornment agreement in favour of the Administrative Agent and in form and substance reasonably satisfactory to the Administrative Agent, and provided that the Administrative Agent enters into a non-disturbance agreement in connection therewith in form and substance reasonably satisfactory to each such tenant; and
- (w) **Default Distributions.** Upon receiving any Distribution (other than a Distribution permitted under Section 7.2(h)) whether or not before the receiving or giving of any notice by any Person that it believes a Default or Event of Default has occurred, hold such Distribution in trust for the benefit of the Administrative Agent and the Lenders, segregated from other funds and property held by such Person and immediately pay over to the Administrative Agent in the same form as received (with any necessary endorsement) to be applied (in the case of cash) to, or held as collateral (in the case of non-cash property or securities) for the payment or prepayment of the Obligations in accordance with their terms. Upon (I) either (x) receiving notice from the Administrative Agent or a Lender that it believes a Default or Event of Default has occurred, or (y) the giving of such a notice by any Credit Party to the Administrative Agent that a Default or Event of Default has occurred, and (II) receiving any Distribution referred to in Section 7.2(h)(i) or (ii) after the giving or receiving of such notice, hold such Distribution in trust for the benefit of the Administrative Agent and the Lenders, segregated from other funds and property held by such Person and immediately pay over to the Administrative Agent in the same form as received

(with any necessary endorsement) to be applied (in the case of cash) to, or held as collateral (in the case of non-cash property or securities) for the payment or prepayment of the Obligations in accordance with their terms.

- (x) **Further Assurances.** At its cost and expense, upon request of the Administrative Agent, execute and deliver or cause to be executed and delivered to the Administrative Agent such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of the Administrative Agent to carry out more effectually the provisions and purposes of the Credit Documents.
- (y) **Most Favoured Nations.** The Borrower hereby agrees and covenants with the Lenders and the Agent that, for so long as any Notes remain outstanding or any other Debt of the Borrower or any Credit Party remains outstanding in a principal amount greater than \$5,000,000, the Lenders shall have the benefit of all financial covenants contained in any agreements related thereto that are more restrictive than the covenants herein as if such provisions were incorporated by reference herein (including any and all defined terms used therein). The “financial covenants” in the Note Purchase Agreements (as in existence on the Closing Date) are specified in Sections 10.4 and 10.5 thereof.

7.2 Negative Covenants.

So long as any amount owing under this Agreement remains unpaid or any Lender or the Administrative Agent has any obligation under this Agreement and, unless consent is given in accordance with Section 9.16, each of KLP, KIK Acquisition, the Borrower and each of its Subsidiaries shall not:

- (a) **Debt.** Create, incur, assume or suffer to exist or permit any of its Subsidiaries to create, incur, assume or suffer to exist any Debt other than (i) Debt of such Persons to the Lenders under the Credit Documents, (ii) Debt of the Borrower and its Subsidiaries incurred in respect of Purchase Money Mortgages up to an aggregate outstanding amount, at any time, of \$5,000,000 (or the equivalent amount in any other currency), (iii) Debt of such Persons to the Noteholders under the Noteholder Credit Documents; (iv) Debt of an acquired entity in existence on the date of a Permitted Acquisition and acquired in connection therewith; (v) Debt described in Schedule 7.2(a), (vi) Debt of any Affiliate of the Borrower to any other Affiliate of the Borrower to the extent permitted in Section 7.2(i); and (vii) the Exchangeable Debentures;
- (b) **Liens.** Create, incur, assume or suffer to exist, or permit any of the Subsidiaries to create, incur, assume or suffer to exist, any Lien on any of their respective properties or assets other than (i) Permitted Liens, and (ii) such other Liens as the Lenders may approve in writing in the exercise of their sole discretion;
- (c) **Mergers, Etc.** Enter into, or permit any of its Subsidiaries to enter into, any reorganization, consolidation, amalgamation, arrangement, winding-up, merger or other similar transaction; provided, however, that any Subsidiaries of the Borrower may merge or amalgamate with the Borrower if, in each case (i)

immediately after giving effect to such transaction, no event shall have occurred and be continuing which constitutes a Default or Event of Default, (ii) the continuing corporation is a Nova Scotia or other unlimited liability company (provided the continuing corporation is not a direct Subsidiary of the Borrower, in which case it may not be a Nova Scotia or other unlimited liability company (except that KOPH) may each be a Nova Scotia or other unlimited liability company provided each is in compliance with Section 7.2(f) hereof), a corporation or limited partnership existing under the laws of Canada or one of its provinces or territories or a corporation, limited liability company or limited partnership existing under the laws of any state of the United States of America acceptable to the Lenders, (iii) the Administrative Agent and the Lenders shall be satisfied with the terms and conditions of all Debt of such Subsidiaries or the Borrower, as the case may be, and of the continuing corporation or limited partnership at the time of such merger or amalgamation, as well as with the form and content of all merger and/or amalgamation documentation, (iv) the continuing corporation or limited partnership assumes the obligations of the Subsidiaries or the Borrower, as the case may be, under the Credit Documents and grants such additional security or acknowledgments thereof and enters into such subordinations and postponements of claim and intercreditor agreements as may be required by the Administrative Agent and the Lenders, and (v) the Administrative Agent and the Lenders receive an opinion of counsel to such Subsidiaries or the Borrower, as the case may be, acceptable to them;

- (d) **Disposal of Assets Generally.** Sell, exchange, lease, release or abandon or otherwise dispose of, or permit any of its Subsidiaries to sell, exchange, lease, release or abandon or otherwise dispose of, any assets or properties (other than securities) to any Person other than (i) bona fide sales, exchanges, leases, abandonments or other dispositions in the ordinary course of business for the purpose of carrying on the Business or its business, as the case may be, and at fair market value, (ii) property or assets (other than securities) which have no material economic value in the Business or are obsolete and (iii) dispositions pursuant to a transaction permitted in Section 7.2(e), it being agreed that, in each case, the Administrative Agent and the Lenders shall provide full or partial discharges of the Security on such assets or properties, as applicable, in connection therewith;
- (e) **Transactions with Related Parties.** Except as otherwise permitted in Sections 7.2(c), 7.2(h) and 7.2(i), directly or indirectly, enter into or allow any Subsidiary to enter into, any agreement with, make any financial accommodation for, or otherwise enter into any transaction with, a Related Party except in the ordinary course of, and pursuant to the reasonable requirements of, business and at prices and on terms not less favourable to the Borrower or the Subsidiary, as the case may be, than could be obtained in a comparable arm's length transaction with another Person;
- (f) **Change in Business.** In the case of KLP, KIK Acquisition, KOPH or 3068072 Nova Scotia Company, carry on any business or have any tangible assets or property (other than equity interests in KIK Acquisition (in the case of KLP), the Borrower (in the case of KIK Acquisition), KOP (in the case of KOPH), (in the

case of 3068072 Nova Scotia Company), (in the case of KIK Partners LP) (in the case of KIK Nova Scotia ULC), respectively), and in the case of the Borrower and its Subsidiaries other than KOPH, 3068072 Nova Scotia Company, KIK Partners LP, KIK Nova Scotia ULC and KIK Finance LLC, make any change in the nature of the Business;

- (g) **Share Capital.** Issue or permit any of its Subsidiaries to issue shares, units or other equity or debt securities or any options, warrants or securities convertible into shares, units or other equity or debt securities except (x) the Exchangeable Debentures, (y) in the case of KLP only, upon the exercise of an exchange right in accordance with the Exchange Agreement, and (z) to the Borrower or another Subsidiary (including, without limitation, the issuance of shares of KIK International to the Borrower as described in Schedule 7.2(c)), provided in each case in this clause (z), the shares, units, options, warrants or securities have been pledged to the Administrative Agent pursuant to the Security Documents;
- (h) **Distributions.** Declare, make or pay or permit any Subsidiary to declare make or pay any Distributions, except (provided that no Default or Event of Default has occurred and is continuing or could result therefrom) (A) any Subsidiary of the Borrower may make Distributions to any other such Subsidiary which is its parent or to the Borrower, and any such parent Subsidiary may make Distributions to the Borrower, (B) the Borrower may make Distributions to KIK Acquisition in an amount sufficient to permit KIK Acquisition to make regularly scheduled interest payments in respect of the Exchangeable Debentures and KIK Acquisition may make regularly scheduled interest payments in respect of the Exchangeable Debentures, in each case, to the extent Distributable Free Cash Flow for the immediately preceding 12 months was positive, and (C) (i) the Borrower may make Distributions to KIK Acquisition, (ii) KIK Acquisition may make Distributions to KLP; and (iii) KLP may make Distributions to KIK GenPar and/or to KLP Holdco and/or to holders of KLP Subordinated Exchangeable Units and/or to holders of KLP Unsubordinated Exchangeable Units (each as defined in the Prospectus), up to an amount equal to Distributable Free Cash Flow determined on a last-twelve-months-basis.

For purposes of Section 7.1(w) and this Section 7.2(h) “**Distribution**” and “**Distributed**” means with respect to any Person the amount of (i) any dividend or other distribution on issued shares, units or other equity or debt securities of the Person or any of its Subsidiaries, (ii) the purchase, redemption or retirement amount of any issued shares, units or other equity or debt securities, warrants or any other options or rights to acquire shares, units or other equity or debt securities of the Person or any of its Subsidiaries redeemed or purchased by the Person or any its Subsidiaries (but, for greater certainty, not including a redemption of partnership interests of KLP pursuant to the exercise of rights to exchange partnership interests in KLP for units of KCP Fund pursuant to the Exchange Agreement), or (iii) any payments whether as consulting fees, management fees or otherwise to any Related Party of the Person or any of its Subsidiaries;

- (i) **Financial Assistance.** Give or permit any of its Subsidiaries to give, any Financial Assistance to any Person, except for (i) Financial Assistance by the Borrower to a Subsidiary, by a Subsidiary to the Borrower or by a Subsidiary to another Subsidiary provided that if the inter-company loan is evidenced by a promissory note and security they shall be in form and content satisfactory to the Administrative Agent and shall be pledged and/or assigned, as the case may be, to the Administrative Agent as Security; (ii) loans by the Borrower and/or KLP to employees, directors or officers of the Borrower and/or KLP up to an aggregate amount of \$5,000,000 for all such employees, directors and officers (including those contemplated by the Prospectus), provided such loans are not prohibited by the Sarbanes-Oxley Act of 2002; (iii) loans made by KLP to its limited partners pursuant to Section 5.3.4 of the KLP Limited Partnership Agreement; (iv) Financial Assistance which constitutes a Permitted Acquisition; (v) Financial Assistance permitted under Section 7.2(h); (vi) if required by the landlord in connection with the entering into of a lease amending agreement, Financial Assistance provided by the Borrower or a Guarantor in respect of the obligations of KIK-NoCal Inc. under the lease of real property located at 8600 23rd Avenue, Sacramento, California; (vii) Financial Assistance referred to under the heading “Guarantees and Indemnities” in Schedule 7.2(a), and Financial Assistance required by the landlord and agreed to by the Borrower or applicable Guarantor acting in a commercially reasonable manner in connection with the obligations of the lessee under a new Lease or amendment or renewal of an existing Lease; and (viii) such other Financial Assistance as the Lenders may approve in writing in the exercise of their sole discretion;

For the purposes of this Section 7.2(i) “**Financial Assistance**” means any advances, loans or other extensions of credit, guarantees, indemnities or other contingent liabilities in the nature of a guarantee or indemnity or capital contributions (other than prepaid expenses in the ordinary course of business) to (by means of transfers of property, money or assets), or any purchase of any shares, stocks, bonds, notes, debentures or other debt or equity securities of, any Person or the acquisition of all or substantially all the assets of, any Person or of a business carried on by, or a division of, any Person. In determining the aggregate amount of Financial Assistance outstanding at any particular time, (i) take the amount of any investment represented by a guarantee or similar contingent obligation at not less than the principal amount of the obligations guaranteed and outstanding, (ii) deduct in respect of any Financial Assistance any amount received by the Borrower or a Subsidiary as return of capital (but only by repurchase, redemption, retirement, repayment, liquidating dividend or liquidating distribution), (iii) do not deduct in respect of any Financial Assistance any amounts received as earnings on such Financial Assistance, whether as dividends, interest or otherwise, and (iv) do not deduct from the aggregate amount of Financial Assistance any decrease in its market value.

- (j) **Lease-Backs.** Enter into or permit any of its Subsidiaries to enter into any arrangements, directly or indirectly, with any Person, whereby the Borrower or such Subsidiary, as the case may be, shall sell or transfer any property, whether now owned or hereafter acquired, used or useful in the Business, in connection

with the rental or lease of the property so sold or transferred or of other property for substantially the same purpose or purposes as the property so sold or transferred.

- (k) **Hedging.** Enter into or allow any of its Subsidiary to enter into (i) any derivative contract that does not relate to an underlying physical commodities exposure; or (ii) any foreign exchange contracts or swap contracts, except as permitted by Section 2.11;
- (l) **Subsidiaries.** Incorporate, create or acquire any Subsidiaries or commence to carry on the Business, otherwise than through the Borrower and its Subsidiaries existing as of the date of this Agreement except for Permitted Acquisitions and for new Subsidiaries incorporated for valid business and/or corporate reorganizational reasons where, in each case, the Subsidiary (i) is a wholly-owned Subsidiary incorporated as a limited liability company under the laws of Canada or one of its provinces or territories or of any state of the United States of America, and (ii) has executed and delivered to the Administrative Agent an unconditional and unlimited guarantee of all obligations of the Borrower under this Agreement and the other Credit Documents together with first-ranking Security over all of its property and assets and accompanied by opinions satisfactory to the Administrative Agent. To the extent such Debt is permitted pursuant to Section 7.2(a), permit any Subsidiary to have any Debt which cross-defaults or cross-accelerates to any Debt of the Borrower or any of its Subsidiaries;
- (m) **Capital Expenditures.** Other than in respect of the Capital Expenditures Reserve and except as permitted pursuant to Section 2.3, make or commit to make, or permit any of its Subsidiaries to make or commit to make, in any Financial Year, any Capital Expenditures (excluding Permitted Acquisitions) exceeding \$25,000,000, (including all Maintenance Capital Expenditures which have been made from Accommodations under the Operating Facility, as permitted pursuant to Section 2.3; and provided further, however, that except for such expenditures which have been made from Accommodations under the Operating Facility, as permitted pursuant to Section 2.3, such expenditures are funded solely from those amounts which have been deducted from Distributable Free Cash Flow of the Borrower or such Subsidiaries, as the case may be);
- (n) **Compromise of Accounts.** Compromise or adjust or permit any of its Subsidiaries to compromise or adjust any of its accounts receivable (or extend the time for payment thereof) or grant any discounts, allowances or credits, in each case other than in the normal course of business;
- (o) **Invoices.** Redate or permit any Subsidiary to redate any invoice or sale or provision of service or make sales or provide services on extended dating beyond that customary in the Business;
- (p) **Financial Year.** Change its Financial Year without 30 days prior written notice to the Administrative Agent;

- (q) **Amendments.** Allow or permits any of its Subsidiaries to allow any amendments to (w) the Exchangeable Debentures, (x) the terms and conditions of the KIK Debt, the Holdco Subordinated Debt or Holdco Notes or, (y) its constating or charter documents, by-laws or any shareholders agreement, partnership agreement or declaration of trust applicable to it, or to any other Material Agreement to which it is a party if such amendments in the case of this subclause (y) could reasonably be expected to have a Material Adverse Effect;
- (r) **Business Outside Certain Jurisdictions.** Have any place of business, chief executive office, head office, registered office, or keep or store any tangible property outside of those jurisdictions (or registration districts within such jurisdictions) set forth in Schedule 6.1(jj)(i) or change its name or adopt any trade name or French form of name (i) except upon 30 days' written notice thereof to the Administrative Agent; and (ii) unless KLP, KIK Acquisition, the Borrower or such Subsidiary, as the case may be, has done all such acts and things and executed and delivered all such deeds, transfers, assignments and instruments as the Lenders may reasonably require for perfecting a first ranking Lien in such property in favour of the Lenders;
- (s) **Payments in Ordinary Course of Business, etc.** Make, or permit any Subsidiary to make, any payments (including prepayments of professional fees or place any funds on trust with third parties) outside the ordinary course of business;
- (t) **Contaminants, etc.** Permit any Hazardous Materials, which could be the subject of a clean-up order to be located on, at or under any of the Subject Properties or any other properties or assets now or hereafter owned, leased or used by or under the control or management of such Person, except in compliance in all material respects with Environmental Laws. Permit any underground storage systems to be located or installed at any of the Subject Properties except in compliance in all material respects with Environmental Laws;
- (u) **Use of Proceeds.** Permits the proceeds of the Credit Facilities to be used for any purpose other than those set forth in Section 2.3 or which entails a violation of, or is inconsistent with, Regulation T, U or X of the Board; and
- (v) **Borrower Mergers, Etc.** Notwithstanding anything herein to the contrary, the Borrower shall not and shall not permit any of its Subsidiaries to enter into any reorganization, consolidation, amalgamation, arrangement, winding-up, merger or other similar transaction with the Fund, KOT, KIK GenPar, KIK Acquisition or any other Subsidiary of the Fund that is not a Subsidiary of the Borrower.

7.3 Financial Covenants.

So long as any amount owing under this Agreement remains unpaid or the Lender has any obligation under this Agreement, the Borrower shall:

- (a) **Maintenance of Interest Coverage Ratio.** Maintain at all times, a ratio, calculated as at the end of each Financial Quarter for the four Financial Quarters

then ended, of Consolidated EBITDA to Consolidated Interest Charges of greater than 4.0:1; and

- (b) **Maintenance of Leverage Ratio.** Maintain, at all times, a ratio, calculated at the end of each Financial Quarter for the 4 Financial Quarters then ended, of Consolidated Indebtedness to Consolidated EBITDA of not more than (i) 3.25:1 for all Financial Quarters ending on or before April 1, 2006; (ii) 3.0:1 for the Financial Quarters ending July 1, 2006, September 30, 2006, December 31, 2006 and March 31, 2007; and (ii) 2.75:1 for the Financial Quarter ending June 30, 2007 and each Financial Quarter ending thereafter.

ARTICLE 8

EVENTS OF DEFAULT

8.1 Events of Default.

If any of the following events (each an “**Event of Default**”) occurs and is continuing:

- (a) the Borrower fails to pay any amount of the Accommodations Outstanding when such amount becomes due and payable;
- (b) the Borrower fails to pay any interest, Fees or other amounts payable under any of the Credit Documents when they become due and payable and such failure remains unremedied for a period of three (3) consecutive Business Days;
- (c) any representation or warranty or certification made or deemed to be made by any Representing Party or any Credit Party or any of their respective directors or officers in any Credit Document shall prove to have been incorrect when made or deemed to be made, and if capable of being cured, has not been cured within 10 Business Days;
- (d) KLP, KIK Acquisition, the Borrower or any of its Subsidiaries fails to perform, observe or comply with any of the covenants contained in Section 7.1 (other than those referred to in Section 8.1(f) below) or in Section 7.2;
- (e) the Borrower fails to perform, observe or comply with any of the covenants contained in Section 7.3;
- (f) KLP, KIK Acquisition, the Borrower or any of its Subsidiaries fails to perform, observe or comply with any of the covenants contained in Sections 7.1(e), 7.1(g), 7.1(k), 7.1(m), 7.1(o) or 7.1(p) and such failure remains unremedied for 10 consecutive Business Days;
- (g) KCP Fund, KOT, KIK Gen Par or KLP Holdco fail to perform, observe or comply with any of the covenants contained in the Collateral Covenant Agreements (other than those referred to in Sections 8.1(h) and (i) below);
- (h) KCP Fund fails to perform, observe or comply with any of the covenants contained in Section 3.1(c), (f), (g) or (h) of its Collateral Covenant Agreement and such failure remains unremedied for 10 consecutive Business Days;

- (i) any of KOT, KIK GenPar or KLP Holdco fails to perform, observe or comply with any of the covenants contained in Section 3.1(b), (e), (f) or (g) of its respective Collateral Covenant Agreement and such failure remains unremedied for 10 consecutive Business Days;
- (j) an event of default has occurred under any of the Mortgages;
- (k) Subject to Section 8.1(t), any Credit Party fails to perform, observe or comply with any other term, covenant or agreement contained in any Credit Document to which it is a party and such failure remains unremedied for 10 consecutive Business Days;
- (l) any Credit Party fails to pay the principal of, or premium or interest on, any of its Debt (excluding Debt under this Agreement the KIK Holdco Subordinated Debt, the KIK Debt, the KLP Debt and the KOT Debt) which is outstanding in an aggregate principal amount exceeding \$2,000,000 (or the equivalent amount in any other currency) when such amount becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event occurs or condition exists and continues after the applicable grace period, if any, specified in any agreement or instrument relating to any Debt of any Credit Party, if the effect of such other event is to accelerate, or permit the acceleration of such Debt; or any Debt of any Credit Party shall be declared to be due and payable prior to its stated maturity;
- (m) any Credit Party fails to perform or observe any term, covenant or agreement contained in any Material Agreement on its part to be performed or observed where such failure could reasonably be expected to have a Material Adverse Effect; or any Material Agreement is terminated or revoked or permitted to lapse (other than in accordance with its terms and not as a result of default); or any party to any Material Agreement delivers a notice of termination or revocation (other than in accordance with its terms and not as a result of default) in respect of the Material Agreement;
- (n) any judgment or order for the payment of money in excess of \$2,000,000 (or the equivalent amount in any other currency) is rendered against any Credit Party and either (i) enforcement proceedings have been commenced by a creditor upon the judgment or order, or (ii) there is any period of 15 consecutive days during which a stay of enforcement of the judgment or order, by reason of a pending appeal or otherwise, is not in effect;
- (o) any Credit Party incurs any Environmental Liabilities which will require expenditures, (i) for any one occurrence, in excess of \$2,000,000 after application of insurance proceeds, or (ii) aggregating in any Financial Year on a consolidated basis, \$2,000,000 after application of insurance proceeds;
- (p) there is a Change of Control;

- (q) any Credit Party (i) becomes insolvent or generally not able to pay its debts as they become due, (ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit of creditors, (iii) institutes or has instituted against it any case, proceeding or other action seeking (x) to adjudicate it a bankrupt or insolvent, (y) liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law of any jurisdiction relating to bankruptcy, insolvency, winding-up, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors, or (z) the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its properties and assets, and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding contemplated by this subclause (iii) remains undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs, or (iv) takes any action in furtherance of, or indicating its consent to or approval of, any of the above actions;
- (r) any Person shall engage in any non-exempt “prohibited transaction” (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any “accumulated funding deficiency” (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favour of the PBGC or a Plan shall arise on the assets of the Borrower or any ERISA Affiliate, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any ERISA Affiliate shall, or in the reasonable opinion of the Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan, or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in subclauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of the Lenders, reasonably be expected to have a Material Adverse Effect.
- (s) the audited consolidated financial statements of the Borrower or KCP Fund in respect of any Financial Year are qualified in any material respect by the independent auditors of the Borrower or KCP Fund, as the case may be;
- (t) there shall occur a default or event of default under any Foreign Exchange and Hedging Arrangements;
- (u) there shall occur a default or event of default under the Noteholder Credit Documents;

- (v) KIK GenPar and KLP Holdco cease to be the general partners of KLP, or KLP, KIK Holdco and KOPH cease to be the partners of KOP; or
- (w) the units of KCP Fund shall cease to be listed on The Toronto Stock Exchange, or the units of KCP Fund shall be suspended from trading for a period in excess of 10 consecutive days; or
- (x) any payments are made to KIK Acquisition, KCP Fund, KOT or KLP in contravention of the terms and conditions of the KIK Holdco Subordinated Debt, the KOT Debt, the KLP Debt or the KIK Debt, as the case may be, in effect on the date hereof; or
- (y) there has occurred an event or development which has or is likely to have a Material Adverse Effect;

then the obligation of the Lenders to make further Accommodations shall immediately terminate and the Administrative Agent may, and shall at the request of the Lenders, declare the Accommodations Outstanding, all accrued interest and Fees and all other amounts payable under the Credit Documents to be immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Borrower.

8.2 Remedies Upon Default.

(1) Upon a declaration that the Accommodations Outstanding are immediately due and payable pursuant to Section 8.1, the Administrative Agent shall at the request of, or may with the consent of, the Lenders, commence such legal action or proceedings as the Lenders, in their sole discretion, deem expedient, including, the commencement of enforcement proceedings under the Credit Documents all without any additional notice, presentation, demand, protest, notice of dishonour, entering into of possession of any property or assets, or any other action or notice, all of which are expressly waived by the Borrower.

(2) The rights and remedies of the Administrative Agent and the Lenders under the Credit Documents are cumulative and are in addition to, and not in substitution for, any other rights or remedies. Nothing contained in the Credit Documents with respect to the indebtedness or liability of the Borrower to the Administrative Agent and the Lenders, nor any act or omission of the Administrative Agent or the Lenders with respect to the Credit Documents or the Security shall in any way prejudice or affect the rights, remedies and powers of the Administrative Agent and the Lenders under the Credit Documents and the Security.

ARTICLE 9 THE ADMINISTRATIVE AGENT

9.1 Appointment and Authorization of Administrative Agent.

Each Lender hereby appoints and authorizes, and hereby agrees that it will require any assignee of any of its interests in the Credit Documents to appoint and authorize the Administrative Agent to take such actions as Administrative Agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent by such Lender by the terms hereof, together with such powers as are reasonably incidental thereto. The Security shall be held

by the Administrative Agent for the rateable benefit of the Lenders in accordance with its terms and any proceeds from any realization of the Security shall be applied to the Accommodations Outstanding to each Lender based on its Pro Rata Share (whether such Security is held in the name of the Administrative Agent or in the name of any one or more of the Lenders and without regard to any priority to which any Lender may otherwise be entitled under applicable law). Neither the Administrative Agent nor any of its shareholders, directors, officers, employees or agents shall be liable to any of the Lenders for any action taken or omitted to be taken by it or them thereunder or in connection therewith, except for its own gross negligence or wilful misconduct and each Lender hereby acknowledges that the Administrative Agent is entering into the provisions of this Section 9.1 on its own behalf and as agent and trustee for its shareholders, directors, officers, employees and agents. The Administrative Agent is authorized to sign the Intercreditor Acknowledgement Agreement, for and on behalf of the Lenders, in the form circulated to the Lenders.

9.2 Interest Holders.

The Administrative Agent may treat each Lender as the holder of all of the interests of such Lender under the Credit Documents.

9.3 Consultation with Counsel.

The Administrative Agent may consult with counsel and shall not be liable to any Lender for any action taken or not taken or suffered by it in good faith and in accordance with the advice and opinion of such counsel.

9.4 Documents.

The Administrative Agent shall not be under any duty to the Lenders to examine, enquire into or pass upon the validity, effectiveness or genuineness of the Credit Documents or any instrument, document or communication furnished pursuant to or in connection with the Credit Documents and the Administrative Agent shall, as regards the Lenders, be entitled to assume that the same are valid, effective and genuine, have been signed or sent by the proper parties and are what they purport to be.

9.5 Administrative Agent as Lender.

The Administrative Agent has the same rights and powers under this Agreement with respect to its Commitment as any other Lender and may exercise such rights and powers as though it were not the Administrative Agent. The term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include the Administrative Agent in its individual capacity. The Administrative Agent and its affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower and its affiliates and persons doing business with the Borrower and/or any of its affiliates as if it were not the Administrative Agent and without any obligation to account to the Lenders therefor.

9.6 Responsibility of Administrative Agent.

The duties and obligations of the Administrative Agent to the Lenders under the Credit Documents are only those expressly set forth herein and therein. The Administrative Agent shall

not have any duty to the Lenders to investigate whether a Default or an Event of Default has occurred. The Administrative Agent shall, as regards the Lenders, be entitled to assume that no Default or Event of Default has occurred and is continuing unless the Administrative Agent has actual knowledge or has been notified by a Credit Party of such fact or has been notified by a Lender that such Lender considers that a Default or Event of Default has occurred and is continuing, such notification to specify in detail the nature thereof.

9.7 Remittance of Payments.

- (a) Forthwith after payment by the Borrower of principal, interest, Fees or other amounts for the benefit of the Lenders pursuant to this Agreement, the Administrative Agent shall remit to each Lender, in immediately available funds, such Lender's pro rata share, if any, of such payment; provided that if the Administrative Agent, on the assumption that it will receive, on any particular date, a payment of principal, interest, Fees or other amount hereunder, remits to each Lender its pro rata share, if any of such payment and the Borrower fails to make such payment, each of the Lenders agrees to repay to the Administrative Agent forthwith on demand, to the extent that such amount is not recovered from the Borrower on demand and after reasonable efforts by the Administrative Agent to collect such amount (without in any way obligating the Administrative Agent to take any legal action with respect to such collection), such Lender's pro rata share, if any, of the payment made to it pursuant hereto together with interest thereon at the rate payable hereunder by the Borrower in respect of such amount for each day from the date such amount is remitted to the Lenders, the exact amount of the repayment required to be made by the Lenders pursuant hereto to be as set forth in a certificate delivered by the Administrative Agent to each Lender, which certificate shall constitute prima facie evidence of such amount of repayment.
- (b) The Administrative Agent shall be entitled to deduct all amounts owing to it pursuant to Sections 9.12 or 11.15 of this Agreement or any other indemnification provision granted to it pursuant to, or in connection with, this Agreement or the Credit Documents from any proceeds from enforcement of, or other realization upon, the Security and any amounts distributed to, or received by, it pursuant to the terms of the Credit Documents.

9.8 Evidence of Indebtedness.

The Administrative Agent shall open and maintain accounts wherein the Administrative Agent shall record the amount of principal owing hereunder, each payment of principal and interest and all other amounts becoming due to and being paid to the Lenders or the Administrative Agent hereunder, including applicable interest and fees. The Administrative Agent's accounts constitute, in the absence of manifest error, prima facie evidence of the indebtedness of the Borrower to the Lenders and the Administrative Agent pursuant to this Agreement.

9.9 Action by Administrative Agent.

The Administrative Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights which may be vested in it on behalf of the Lenders by and

under this Agreement. Furthermore, any rights of the Administrative Agent expressed to be on behalf of the Lenders or all the Lenders, as the case may be, shall be exercised by the Administrative Agent upon the request or instructions of the Lenders or all the Lenders, as the case may be. The Administrative Agent shall incur no liability to the Lenders under or in respect of any of the Credit Documents with respect to anything which it may do or refrain from doing in the reasonable exercise of its judgment or which may seem to it to be necessary or desirable in the circumstances, except for its gross negligence or wilful misconduct. The Administrative Agent shall in all cases be fully protected in acting or refraining from acting under any of the Credit Documents in accordance with the instructions of the Lenders or all the Lenders, as the case may be, and any action taken or failure to act pursuant to such instructions shall be binding on all Lenders.

9.10 Notice of Events of Default.

In the event that the Administrative Agent shall acquire actual knowledge or shall have been notified of any Default or Event of Default, the Administrative Agent shall promptly notify the Lenders and shall take such legally proper action and assert such rights under this Agreement and under the other Credit Documents as the Lenders shall request in writing and the Administrative Agent shall not be subject to any liability to the Lenders by reason of its acting pursuant to any such request. If the Lenders shall fail for five (5) Business Days after receipt of the notice of any Default or Event of Default to request the Administrative Agent to take such action or to assert such rights under any of the Credit Documents in respect of such Default or Event of Default, the Administrative Agent may, but shall not be required to, and subject to subsequent specific and legally proper instructions from the Lenders, take such action or assert such rights (other than rights under this Agreement or under the other Credit Documents and other than giving an express waiver of any Default or any Event of Default) as it deems in its discretion to be advisable for the protection of the Lenders except that, if the Lenders have instructed the Administrative Agent not to take such action or assert such rights, in no event shall the Administrative Agent act contrary to such instructions unless required by law to do so.

9.11 Responsibility Disclaimed

The Administrative Agent shall be under no liability or responsibility whatsoever as Administrative Agent hereunder:

- (a) to the Credit Parties or any other Person as a consequence of any failure or delay in the performance by, or any breach by, any Lender or Lenders of any of its or their obligations under any of the Credit Documents;
- (b) to any Lender or Lenders as a consequence of any failure or delay in performance by, or any breach by, any of the Credit Parties of any of their respective obligations under any of the Credit Documents;
- (c) to any Lender or Lenders for any statements, representations or warranties in any of the Credit Documents or in any other documents contemplated thereby or in any other information provided pursuant to any of the Credit Documents or any other documents contemplated thereby or for the validity, effectiveness, enforceability, or sufficiency of any of the Credit Documents or any other document contemplated thereby; or

- (d) to take any action or refrain from taking any action, if to do so would be illegal, or, in the opinion of the Administrative Agent and its counsel, would subject the Administrative Agent to any liability whatsoever.

9.12 Indemnification.

The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed by the Credit Parties) according to their Pro Rata Shares from and against any Loss of any nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of any of the Credit Documents or any other document contemplated thereby or any action taken or omitted by the Administrative Agent under any of the Credit Documents or any document contemplated thereby, except that no Lender shall be liable to the Administrative Agent for any portion of such Loss resulting from the gross negligence or wilful misconduct of the Administrative Agent.

9.13 Credit Decision

Each Lender represents and warrants to the Administrative Agent that:

- (a) in making its decision to enter into this Agreement and to make its Pro Rata Share of the Credit Facilities available to the Borrower, it is independently taking whatever steps it considers necessary to evaluate the financial condition and affairs of each of the Credit Parties and that it has made an independent credit judgment without reliance upon any information furnished by the Administrative Agent; and
- (b) so long as any portion of the Credit Facility is being utilized by the Borrower, it will continue to make its own independent evaluation of the financial condition and affairs of each of the Credit Parties.

9.14 Successor Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by giving thirty (30) days written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Lenders in conjunction with the Borrower shall have the right to appoint a successor Administrative Agent who shall be one of the Lenders unless none of the Lenders wishes to accept such appointment. If no successor Administrative Agent shall have been so appointed and shall have accepted such appointment by the time of such resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be an affiliate of the Administrative Agent or a bank organized under the laws of Canada which has combined capital and reserves in excess of Cdn. \$250,000,000 and has an office in Toronto, Ontario. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges, duties and obligations of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation or removal hereunder as the Administrative Agent, the provisions of this Article 9 shall continue in effect for its benefit in

respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent.

9.15 Delegation by Administrative Agent.

With the prior approval of the Lenders, the Administrative Agent shall have the right to delegate any of its duties or obligations hereunder as Administrative Agent to any affiliate of the Administrative Agent so long as the Administrative Agent shall not thereby be relieved of such duties or obligations.

9.16 Waivers and Amendments

Subject to this Section 9.16, any term, covenant or condition of any of the Credit Documents may only be amended with the consent of the Borrower or such Credit Party which is a party to the Credit Document and the Majority Lenders or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively) by the Majority Lenders and in any such event the failure to observe, perform or discharge any such term, covenant or condition, so amended or waived (whether such amendment is executed or such waiver is given before or after such failure), shall not be construed as a breach of such term, covenant or condition or as a Default or Event of Default. For greater certainty but without limitation, the following actions require the consent of the Majority Lenders:

- (a) a declaration of the acceleration of the amounts owing under this Agreement, or enforcing or realizing on any of the Security created under the Security Documents;
- (b) any amendments to or waivers under this Agreement or any other Credit Document which do not explicitly require the prior written consent of each of the Lenders;
- (c) altering or waiving any term, covenant or condition in Section 7.1 (other than Section 7.1(w)) or in Section 7.3;
- (d) altering or waiving any term, covenant or condition in Section 3.1 of each of the Collateral Covenant Agreements (other than Section 3.1(l) of the KCP Fund Collateral Covenant Agreement and other than Section 3.1(k) of each of the Collateral Covenant Agreements to which KOT, KIK GenPar and KLP Holdco are a party); and
- (e) altering or waiving any term, covenant or condition in Section 7.2 or in Section 3.2 of each of the Collateral Covenant Agreements, in each case, other than any alteration or waiver requiring the prior written consent of each Lender as set forth below;

Without the prior written consent of each Lender, the Administrative Agent and the Lenders shall not:

- (a) increase the amount of this Agreement or the Pro Rata Share of any Lender;

- (b) extend the Term Repayment Date or the Operating Repayment Date or the time for the payment of interest or other amounts owing hereunder;
- (c) decrease the stated amount of any interest or Fees to be paid to any Lender;
- (d) release, discharge, partially discharge or amend any of the Security created under the Security Documents other than in connection with a sale of assets or securities of the Borrower or any Guarantor permitted hereunder and other than in connection with the repayment in full to the Administrative Agent on behalf of the Lenders of all amounts owing hereunder and the permanent cancellation of all Commitments;
- (e) change the percentage of the Lenders' requirement to constitute the Lenders;
- (f) subordinate the Credit Facilities to any other indebtedness of the Borrower or subordinate the Security to any Lien (other than, for greater certainty to Permitted Liens); or
- (g) alter the terms of this Section 9.16.

Without the prior written consent of the Administrative Agent, no amendment to or waiver of Section 9.1 through Section 9.15 shall be effective.

9.17 Determination by Administrative Agent Conclusive and Binding.

Any determination to be made by the Administrative Agent on behalf of the Lenders or the Lenders under this Agreement shall be made by the Administrative Agent in good faith and, if so made, shall be binding on all parties, absent manifest error.

9.18 Redistribution of Payment.

If any Lender shall exercise any right of counter-claim or setoff or similar right with respect to the property of the Borrower or any of the Guarantors or if under any applicable bankruptcy, insolvency or other similar law it receives a secured claim the security for which is a debt owed by it to the Borrower or any of the Guarantors, it shall apportion the amount thereof proportionately between:

- (a) amounts outstanding at such time owed by the Borrower or such Guarantor to such Lender under this Agreement, which amounts shall be applied in accordance with this Agreement; and
- (b) amounts otherwise owed to it by the Borrower or such Guarantor. If a Lender shall, through the exercise of a right, or the receipt of a secured claim described above or otherwise receive payment of a portion of the aggregate amount of principal and interest due to it hereunder which is greater than the proportion received by any other Lender in respect of the aggregate amount of principal and interest due hereunder, the Lender receiving such proportionately greater payment shall purchase a participation (which shall be deemed to have been done simultaneously with receipt of such payment) in that portion of the aggregate outstanding amounts owing to the other Lender or Lenders so that the respective

receipts shall be pro rata to their respective participation in such amounts owing; provided, however, that if all or part of such proportionately greater payment received by such purchasing Lender shall be recovered from the Borrower or such Guarantor, such purchase shall be rescinded and the purchase price paid for such participation shall be returned by such selling Lender or Lenders to the extent of such recovery, but without interest. Such Lender shall exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders entitled under this Section 9.18 to share in the benefits of any recovery on such secured claims. If any Lender does any act or thing permitted by this Section 9.18, it shall promptly provide copies of such particulars to the other Lenders.

9.19 Distribution of Notices.

Within three (3) Business Days of receipt by the Administrative Agent of any notice or other document which is delivered to the Administrative Agent under any of the Credit Documents on behalf of the Lenders, the Administrative Agent shall provide a copy of such notice or other document to each the Lenders.

ARTICLE 10 GUARANTEE

10.1 Guarantee

(1) Each of the Guarantors hereby agrees it is severally liable, each as to 100%, for, and hereby irrevocably and unconditionally guarantees to the Administrative Agent and to the Lenders and their respective successors and assigns, the full and prompt payment when due (whether at stated maturity, by acceleration or otherwise) and at all times thereafter, and performance, of all of the Obligations.

(2) Each of the Guarantors agree that its guarantee obligation hereunder is a continuing guarantee of payment and performance and not merely of collection, that its obligations under this guarantee shall not be discharged until payment and performance, in full, of all of the Obligations have occurred, and that its obligations hereunder shall be primary, absolute and unconditional.

(3) The obligations of the Guarantors hereunder shall not be satisfied, reduced, perfected or discharged by any intermediate payment, settlement or satisfaction of the whole or any part of the principal, interest or other money or amounts which may at any time be or become owing or payable under, by virtue of, or otherwise in connection with the obligations of the Borrower under this Agreement or any of the other Credit Documents;

(4) The Guarantors shall be regarded, and shall be in the same position, as principal debtor with respect to the Obligations and any amounts expressed to be payable from the Guarantors shall be recoverable from the Guarantors as primary obligors and principal debtors in respect thereof.

(5) The Guarantors hereby expressly and irrevocably subordinate to the payment of the Obligations, any and all rights at law or in equity to reimbursement, exoneration, contribution, indemnification or set-off and any and all defences available to a surety, guarantor

or co-obligor until all of the Obligations are indefeasibly paid in full in cash. The Guarantors agree to and do hereby waive any rights of subrogation arising at law or in equity until all of the Obligations are indefeasibly paid in full in cash.

(6) The Guarantors hereby subordinate and postpone to the Administrative Agent and the Lenders, until all of the Obligations are indefeasibly paid in full in cash, (x) any and all amounts owing to each Guarantor from any other Credit Party (whether as principal, interest, fees or otherwise) (the “**Subordinated Indebtedness**”), and (y) any and all security heretofore or hereafter granted in favour of such Guarantor by any such other Credit Party or any other Person as security for the Subordinated Indebtedness (the “**Subordinated Security**”). The Subordinated Indebtedness shall for all purposes be, and at all times remain, inferior, junior and subordinate to the Obligations and the Subordinated Security shall for all purposes be, and at all times remain, inferior, junior and subordinate to the Security and no amounts shall be payable or any action taken under the Subordinated Security until all of the Obligations are indefeasibly paid in full in cash. No payments (whether as principal, interest, fees or otherwise) shall be made by the Borrower in respect of the KIK Holdco Subordinated Debt or by KIK Acquisition in respect of the KIK Debt or received by KIK Acquisition or KLP, respectively, on account of, or in respect of, the KIK Holdco Subordinated Debt or the KIK Debt, until all of the Obligations are indefeasibly paid in full in cash, except, provided no Event of Default has occurred and is continuing or would result therefrom, KIK Holdco and KIK Acquisition, respectively may make, and KIK Acquisition and KLP, respectively may receive, payments of principal and regularly scheduled payments of interest in respect of the KIK Holdco Subordinated Debt and the KIK Debt. All payments or distributions on account of, or in respect of, the Subordinated Indebtedness which are received by any Guarantor contrary to these provisions shall be received in trust for the benefit of the Lenders, shall be segregated from other funds and property held by such Guarantor and shall be immediately paid over to the Administrative Agent in the same form as received (with any necessary endorsement) to be applied (in the case of cash) to, or held as collateral (in the case of non-cash or securities) for, the payment or prepayment of the Obligations in accordance with the terms of this Agreement. KIK Acquisition shall not take or authorize to be taken any action by way of suit, foreclosure, sale, quit claim or acceptance of a deed in lieu of foreclosure or otherwise take any proceedings to realize against the assets or properties of the Borrower or any other person in respect of the KIK Holdco Subordinated Debt until all other Obligations have been indefeasibly paid in full in cash.

(7) The obligations of the Guarantors hereunder shall not be affected or impaired by any act, omission, matter or thing whatsoever, occurring before, upon or after any demand for payment hereunder which, but for this provision, might constitute a whole or partial defence to a claim against the Guarantors hereunder or might operate to release or otherwise exonerate the Guarantors from any of their obligations hereunder or otherwise affect such obligations. The Guarantors hereby irrevocably waive any defence they may now or hereafter have in any way relating to any of the foregoing, including, without limitation:

- (a) the priorities otherwise accorded to the Security and the Subordinated Security by any applicable law;
- (b) the time or order of the creation, granting or execution of the Credit Documents and the documents evidencing the Subordinated Indebtedness or the Subordinated Security;

- (c) the time or order of attachment or perfection of the Liens constituted by the Security and the Subordinated Security;
 - (d) the time or order of registration of the Security or the Subordinated Security or the filing of financing statements or other instruments and documents with respect thereto;
 - (e) the time of the making of advances and other loans under the Credit Documents and the documents evidencing the Subordinated Indebtedness;
 - (f) the giving of, or the failure to give, any notice to any Credit Party or to any other Person or the time of giving of any such notice;
 - (g) any limitation of status or power, disability, incapacity or other circumstance relating to the Credit Parties;
 - (h) any irregularity, defect, unenforceability or invalidity in respect of any indebtedness or other obligation of any Credit Party;
 - (i) any failure of any Credit Party to perform or to comply with any of the provisions of this Agreement or any other Credit Document;
 - (j) the taking, enforcing or exercising or the refusal or neglect to take, enforce or exercise any right or remedy from or against any Credit Party or their respective assets or the release or discharge of any such right or remedy by the Administrative Agent or the Lenders;
 - (k) the granting of time, renewals, extensions, compromises, concessions, subordinations, postponements, waivers, releases, discharges and other indulgences to any Credit Party;
 - (l) any amendment, restatement, variation, modification, supplement or replacement of this Agreement or any other Credit Document;
 - (m) any change in the ownership, control, name, objects, businesses, assets, capital structure or constitution of any Credit Party or any merger or amalgamation of any Credit Party with any Person or Persons;
 - (n) the existence of any claim, set-off or other rights that any Guarantor may have at any time against any other Credit Party, the Administrative Agent and the Lenders, whether in connection with any Credit Document or otherwise; and
 - (o) any other circumstance that might otherwise constitute a legal or equitable discharge or defence of any Guarantor.
- (8) The Administrative Agent and the Lenders, without releasing, discharging, limiting or otherwise affecting in whole or in part the Guarantors' Guaranteed Obligations and without the consent of or notice to the Guarantors, may:

- (a) grant time, renewals, extensions, compromises, concessions, subordinations, postponements, waivers, releases, discharges and any other indulgences to any Credit Party;
 - (b) amend, vary, modify, supplement or replace this Agreement or any other Credit Document to which the Guarantors are not a party;
 - (c) take or abstain from taking security or collateral from any Credit Party or from perfecting security or collateral of any such Person;
 - (d) release, discharge, compromise, realize, enforce or otherwise deal with or do any act or things in respect of any security given by any Credit Party with respect to any of the obligations of any Credit Party contemplated by this Agreement or any other Credit Document;
 - (e) accept compromise or arrangements from any Credit Party;
 - (f) apply all money at any time received from any Credit Party or from any collateral to any part of the obligations outstanding under this Agreement or any other Credit Document as they may see fit; and
 - (g) otherwise deal with, or waive or modify their right to deal with, any Credit Party and all other Persons and securities as they may see fit.
- (9) The Administrative Agent and the Lenders shall not be bound to exhaust their recourse against the Borrower or realize on the Security they may hold in respect of the Obligations before being entitled to payment under this Article 10 and enforcing their rights and remedies under this Agreement and the Security Documents.

ARTICLE 11 MISCELLANEOUS

11.1 Waiver.

(1) No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right under any of the Credit Documents shall operate as a waiver of such right; nor shall any single or partial exercise of any right under any of the Credit Documents preclude any other or further exercise of such right or the exercise of any other right.

(2) Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties shall not merge on and shall survive the initial Accommodation and, notwithstanding such initial Accommodation or any investigation made by or on behalf of any party, shall continue in full force and effect. The closing of this transaction shall not prejudice any right of one party against any other party in respect of anything done or omitted under this Agreement or in respect of any right to damages or other remedies.

11.2 Evidence of Debt and Accommodation Notices.

(1) The indebtedness of the Borrower resulting from Accommodations under the Credit Facilities shall be evidenced by the Register as described in Section 11.7(3).

(2) Prior to the receipt of any Accommodation Notice, the Administrative Agent may act on the basis of a notice by telephone (containing the same information as would be contained in the Accommodation Notice) believed by it to be from an authorized person representing the Borrower. In the event of a conflict between the Administrative Agent's record of any Accommodation and the Accommodation Notice, the Administrative Agent's record shall prevail, absent manifest error.

11.3 Notices, etc.

Any notice, direction or other communication to be given under this Agreement shall, except as otherwise permitted, be in writing and given by delivering it or sending it by facsimile or other similar form of recorded communication addressed:

(a) to the Borrower or any Guarantor at:

33 MacIntosh Blvd.
Concord, Ontario
L4K 4L5

Attention: Chief Financial Officer

Telephone: (905) 660-0444

Facsimile: (905) 660-7333

(b) to the Administrative Agent at:

The Toronto-Dominion Bank
77 King Street West, 18th Floor
Royal Trust Tower
Toronto, Ontario M5K 1A2

Attention: Wayne M. Shiplo
Vice President, Loan Syndications

Telephone: (416) 983-6757

Facsimile: (416) 982-5535

(c) to any Lender, at its address as specified on Schedule 10.

Any such communication shall be deemed to have been validly and effectively given if (i) personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 4:00 p.m. (Toronto time), otherwise on the next Business Day, (ii) transmitted by facsimile or similar means of recorded communication, on the date of such transmission if such date is a Business Day and such delivery was made prior to 4:00 p.m. (Toronto time), otherwise on the next Business Day. Any party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to the party at its changed address.

11.4 Confidentiality.

The Administrative Agent and each Lender agree to use reasonable efforts to ensure that financial statements or other information relating to the Borrower or any other Credit Party which may be delivered to it pursuant to this Agreement and which are not publicly filed or otherwise made available to the public generally (and which are not independently known to the Administrative Agent or such Lender) will, to the extent permitted by law, be treated confidentially by the Administrative Agent or such Lender and will not, except with the consent of the Borrower or such other Credit Party, as the case may be, be distributed or otherwise made available by the Administrative Agent or such Lender to any Person other than its directors, officers, employees, authorized Administrative Agent, counsel or other representatives (provided the other representatives have agreed or are under a duty to keep all information confidential) required, in the reasonable opinion of the Administrative Agent or such Lender, to have such information. Notwithstanding the foregoing, the Administrative Agent and each Lender is authorized to deliver a copy of any financial statements or any other information which may be delivered to it pursuant to this Agreement, to (i) any actual or potential Participant or Assignee, (ii) any Governmental Entity having jurisdiction over the Administrative Agent or such Lender in order to comply with any applicable Law, and (iii) any Affiliate of the Administrative Agent or such Lender required, in the reasonable opinion of the Administrative Agent or such Lender, to have such information, provided in the case of clause (i) and (iii) above shall have agreed to the keep confidential any such information pursuant to customary confidentiality arrangements.

11.5 Costs, Expenses and Indemnity.

(1) The Borrower shall, whether or not the transactions contemplated in this Agreement are completed, indemnify and hold each of the Lenders and the Administrative Agent and each of their respective officers, directors, shareholders, employees and agents (each an **"Indemnified Person"**) harmless from, and shall pay to such Indemnified Person on demand any amounts required to compensate the Indemnified Person for, any Loss suffered by, imposed on, or asserted against, the Indemnified Person as a result of, connected with or arising out of (i) the preparation, execution and delivery of, preservation of rights under, enforcement of, or refinancing, renegotiation or restructuring of, the Credit Documents and any related amendment, waiver or consent, (ii) any advice of counsel to the Administrative Agent prior to the occurrence of a Default or Event of Default and, thereafter, any advice of counsel to the Administrative Agent and the Lenders as to the rights and duties of the Administrative Agent and the Lenders with respect to the administration of the Credit Facilities, the Credit Documents or any transaction contemplated under the Credit Documents, (iii) a Default or an Event of Default by the Borrower or any other Credit Party, (iv) any proceedings brought by or against the Indemnified Person, or in which the Indemnified Person otherwise participates, due to its entering into or being a party of any of the Credit Documents, or by reason of its exercising or performing, or causing the exercise or performance of, any right, power or obligation under any of the Credit Documents or otherwise in connection with its interest in any Security, whether or not such proceedings are directly related to the enforcement of any Credit Document, except to the extent caused by the gross negligence or wilful misconduct of the Indemnified Person, (v) the presence of Hazardous Materials at, on or under, or the escape, seepage, leakage, spillage, emission, release, discharge or likely discharge of Hazardous Materials from, any of the Subject Properties or any other properties or assets now, hereafter or previously owned, leased or used by or under the control or management of the Borrower, any other Credit Party or any predecessor

thereof, regardless of whether or not caused by, or within the control of, the Borrower or any such other Credit Party, and any remedial action (if any) taken by the Administrative Agent or any Lender as a result of such presence, escape, seepage, leakage, spillage, emission, release, discharge or likely discharge, or the breach by or non-compliance with any Environmental Law by any mortgagor, owner or lessee of such properties; to the extent permitted by applicable law, the Borrower agrees not to assert, and hereby waives, all rights for contribution or any other rights of recovery with respect to all Losses under or related to Environmental Laws or Hazardous Materials, that it now or hereafter may have by statute or otherwise against any Indemnified Person, except to the extent arising from any action taken by such Indemnified Person after exercise of its remedies with respect to such Subject Properties and other such properties and assets resulting from the gross negligence or wilful misconduct by such Indemnified Person, and (vi) the failure of the Borrower, any other Credit Party, any predecessor thereof or any other Person to comply with the Bulk Sales Act (Ontario) or similar legislation in any other Province of Canada or in the United States of America or any State thereof, in connection with the sale of all or substantially all of the assets of any Person pursuant to any of the transactions referred to in the Prospectus.

(2) If, with respect to a Lender, (i) any change in any Law or any change in the interpretation or application of such Law occurring or becoming effective after this date, or (ii) compliance by the Lender with any direction, request or requirement (whether or not having the force of law) of any Governmental Entity made or becoming effective after the date hereof, has the effect of causing any Loss to the Lender or reducing the Lender's rate of return by (w) increasing the cost to the Lender of performing its obligations under this Agreement or in respect of any Accommodations Outstanding (including the costs of maintaining any capital, reserve or special deposit requirements but other than a reduction resulting from a higher rate or from a change in the calculation of income or capital tax relating to the Lender's income or capital in general), (x) requiring the Lender to maintain or allocate any capital or additional capital or affecting its allocation of capital in respect of its obligations under this Agreement or in respect of any Accommodations Outstanding, (y) reducing any amount payable to the Lender under this Agreement or in respect of any Accommodations Outstanding by any material amount, or (z) causing the Lender to make any payment or to forego any return on, or calculated by reference to, any amount received or receivable by the Lender under this Agreement or in respect of any Accommodations Outstanding, then the Lender may give notice to the Borrower specifying the nature of the event giving rise to the Loss and the Borrower may either, (i) on demand, pay such amounts as the Lender specifies is necessary to compensate it for any such Loss, or (ii) provided no Loss has yet been suffered by the Lender or the Borrower has paid the compensating amount to the Lender, repay the Accommodations Outstanding and terminate the Lender's Commitments without the requirement of any prepayment fee or penalty. A certificate as to the amount of any such Loss submitted in good faith by the Lender to the Borrower shall be conclusive and binding for all purposes, absent manifest error. For purposes of this Section 11.5(2), the Administrative Agent shall hold all amounts to be applied to the repayment of LIBOR Rate Advances until the last day of the then current LIBOR Rate Interest Period and the Borrower hereby authorizes and directs the Administrative Agent to apply such amounts to the repayment of such LIBOR Rate Advances at such time.

(3) The Borrower shall pay to each Lender on demand any amounts required to compensate the Lender for any Loss suffered or incurred by it as a result of (i) any payment being made in respect of a Documentary Credit or Advance, other than on the maturity or

expiration or on the last day of an LIBOR Interest Period applicable to it, (ii) the failure of the Borrower to give any notice in the manner and at the times required by this Agreement, (iii) the failure of the Borrower to effect an Accommodation in the manner and at the time specified in any Accommodation Notice, or (iv) the failure of the Borrower to make a payment or a mandatory repayment in the manner and at the time specified in this Agreement. A certificate as to the amount of any such Loss submitted in good faith by the Lender to the Borrower shall be conclusive and binding for all purposes, absent manifest error.

(4) The provisions of this Section 11.5 shall survive the termination of this Agreement and the repayment of all Accommodations Outstanding. The Borrower acknowledges that neither its obligation to indemnify nor any actual indemnification by it of a Lender, the Administrative Agent or any other Indemnified Person in respect of such Person's losses for the legal fees and expenses shall in any way affect the confidentiality or privilege relating to any information communicated by such Person to its counsel.

11.6 Taxes and Other Taxes.

(1) Each of the Lenders as of the date hereof represents and warrants that it is a Qualified Person (as defined in Section 11.7) and each Lender (other than any Lender who is not a Qualified Person solely as a result of such Lender being an Assignee that was not a Qualified Person after the occurrence of a Default or Event of Default that was continuing) covenants that it will not take any action or omit to take any action, in each case, other than as required pursuant to a change in Law, that would cause it to fail to be a Qualified Person.

(2) All payments to the Lenders by the Borrower under any of the Credit Documents shall be made free and clear of and without deduction or withholding for any and all taxes, levies, imposts, deductions, charges or withholdings and all related liabilities (all such taxes, levies, imposts, deductions, charges, withholdings and liabilities being referred to as "Taxes") imposed by Canada or the United States of America or any other jurisdiction (or any political subdivision or taxing authority of it), unless such Taxes are required by applicable law to be deducted or withheld. If the Borrower shall be required by applicable law to deduct or withhold any such Taxes from or in respect of any amount payable under any of the Credit 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 11.6(2)), the Lenders receive an amount equal to the amount they would have received if no such deduction or withholding had been made, (ii) the Borrower shall make such deductions or withholdings, and (iii) the Borrower shall immediately pay the full amount deducted or withheld to the relevant Governmental Entity in accordance with applicable law; provided, however, that the increase described in subclause (i) of this Section 11.6(2) shall not be made with respect to any payment allocable to a Lender that is not a Qualified Person solely as a result of an action taken or omitted to be taken by such Lender (except as otherwise permitted herein), in each case, other than as required pursuant to a change in Law.

(3) The Borrower agrees to immediately pay any present or future stamp or documentary taxes or any other excise or property taxes, charges, financial institutions duties, debits taxes or similar levies (all such taxes, charges, duties and levies being referred to as

“Other Taxes”) which arise from any payment made by the Borrower under any of the Credit Documents or from the execution, delivery or registration of, or otherwise with respect to, any of the Credit Documents.

(4) The Borrower shall indemnify the Lenders and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable by the Borrower under this Section 11.6) paid by the Lenders or the Administrative Agent and any liability (including penalties, interest and expenses) arising from or with respect to such Taxes or Other Taxes, whether or not they were correctly or legally asserted. The Borrower will not be required to indemnify the Lenders or the Administrative Agent for any Taxes or Other Taxes imposed by reason of a Lender or the Administrative Agent being connected with Canada, the United States or any relevant jurisdiction otherwise than merely by lending money to the Borrower pursuant to this Agreement, or which result from a Lender failing to be a Qualified Person solely as a result of an action taken or omitted to be taken by such Lender (except as otherwise permitted herein), in each case, other than as required pursuant to a change in Law. Payment under this indemnification shall be made within 30 days from the date the applicable Administrative Agent or the relevant Lender, as the case may be, make written demand for it. A certificate as to the amount of such Taxes or Other Taxes submitted to the Borrower by the applicable Administrative Agent or Lender shall be conclusive evidence, absent manifest error, of the amount due from the Borrower to the applicable Administrative Agent or Lender, as the case may be.

(5) The Borrower shall furnish to the Administrative Agent and the Lenders the original or a certified copy of a receipt evidencing payment of Taxes or Other Taxes made by the Borrower within 30 days after the date of any payment of Taxes or Other Taxes.

(6) The provisions of this Section 11.6 shall survive the termination of the Agreement and the repayment of all Accommodations Outstanding.

11.7 Successors and Assigns.

(1) This Agreement shall become effective when executed by the Borrower, the Guarantors, the Administrative Agent and the Lenders and after that time shall be binding upon and enure to the benefit of the Borrower, the Guarantors, the Administrative Agent and the Lenders and their respective successors and permitted assigns.

(2) Neither the Borrower nor any Guarantor shall have the right to assign its rights or obligations under this Agreement or any interest in this Agreement without the prior consent of all the Lenders, which consent may be arbitrarily withheld.

(3) Subject to the next sentence, each Lender may (i) grant participations in all or any part of its interest in the Credit Facilities to one or more Qualified Persons (as hereinafter defined) (each, a “**Participant**”) provided that such interest or part of its interest, as the case may be, is not less than \$1,000,000, and (ii) with the prior written consent of the Borrower (not to be unreasonably withheld or delayed) and the payment of \$2,500 to the Administrative Agent by the Assignee (as hereinafter defined), assign all or any part of its interest in the Credit Facilities to one or more Qualified Persons (each, an “**Assignee**”), provided that such interest or part of its interest, as the case may be, is not less than \$1,000,000. At any time after the occurrence of a

Default or an Event of Default that is continuing, each Lender may assign or grant participations in all or any part of its interest in the Credit Facilities to any Assignee or Participant (who, in either case, need not be a Qualified Person) without any requirement for notice to or consent of the Borrower. The Lender granting a participation shall, unless otherwise expressly provided in this Agreement, act on behalf of all of its Participants in all dealings with the Borrower in respect of the Credit Facilities and no Participant shall have any voting or consent rights with respect to any matter requiring the Lenders' consent. In the case of an assignment, the Assignee shall have the same rights and benefits and be subject to the same limitations under the Credit Documents as it would have if it was the Lender. The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a register for the recordation of the names and addresses of the Lenders and Participants, and the Commitment of, and principal amount of Accommodations Outstanding with respect to, each Lender (and the participation of each Participant) pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender or Participant hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice. The requirement that all interests be reflected in the Register is intended to result in all obligations under this Agreement being in "registered form" within the meaning of U.S. Treasury Regulations sections 5f.103-1(c) and 1.871-14(c) and sections 163, 871(h) and 881(c) of the Code.

(4) The Borrower shall at the cost and expense of the relevant Lender provide such certificates, acknowledgments and further assurances in respect of this Agreement and the Credit Facilities as such Lender may reasonably require in connection with any participation or assignment pursuant to this Section 11.7.

(5) In the case of an assignment, the Lender shall deliver to the Borrower (and the Borrower shall execute, provided no Default or Event of Default has occurred that is continuing) an assignment and assumption agreement substantially in the form of Schedule 11.7(5) by which the Assignee assumes the obligations of the Lender and agrees to be bound by all the terms and conditions of this Agreement, all as if the Assignee had been an original party. Upon receipt by the Administrative Agent of the aforementioned \$2,500 assignment fee and the fully executed assignment and assumption agreement, the Administrative Agent shall accept such assignment and record the information regarding such assignment in the Register, the assigning Lender and the Borrower shall be released from their respective obligations under this Agreement and the other Credit Documents (to the extent of such assignment and assumption) and shall have no further liabilities or obligations to each other to such extent, except in respect of matters arising prior to the assignment, and except for such other matters which arise either before or after such assignment and which are to survive the termination of this Agreement and the repayment of all Accommodations Outstanding. No assignment or grant of a participation shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 11.7.

(6) Any assignment or grant of participation pursuant to this Section 11.7 will not constitute a repayment by the Borrower to the assigning or granting Lender of any Accommodation, nor a new Accommodation to the Borrower by the Lender or by the Assignee

or Participant, as the case may be, and the parties acknowledge that the Borrower's obligations with respect to any such Accommodations will continue and will not constitute new obligations.

(7) For the purposes of Section 11.6 and this Section 11.7, a “**Qualified Person**” is a person who (I)(x) is a Canadian resident entity’s U.S. branch or agency the income of which is (i) “effectively connected with the conduct of a trade or business within the United States” within the meaning of Section 882 of the Code, and (ii) “attributable” to a “permanent establishment” within the United States within the meaning of the Convention Between the United States of America and Canada With Respect to Taxes on Income and on Capital, as amended, or other relevant treaty, (y) is a Canadian branch (but not a Canadian subsidiary) of a U.S. bank that is an “authorized foreign bank” with respect to which amounts paid or credited to it under the Credit Documents are in respect of its “Canadian banking business” (in each case, within the meaning of the Income Tax Act (Canada) and the regulations thereunder), or (z) would not, as a result of such Person becoming a Participant or Assignee hereunder, trigger an obligation on the Borrower to pay either U.S. or Canadian withholding tax to such person or persons at the time of such participation or assignment, as the case may be, (II) upon Borrower’s request (if any), has provided the Borrower with a properly completed U.S. Treasury Form W-8 ECI, W-8 BEN or W-9, as applicable, (or other form acceptable to the Borrower), and (III) covenants at the time that it first becomes a Lender, Assignee or Participant that it will not take any action or omit to take any action, in each case, other than as required pursuant to a change in Law, that would cause it to fail to satisfy the preceding clauses (I) and (II).

(8) All covenants and other agreements contained in this Agreement or any other Credit Document (and including the Intercreditor Agreement) by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any assignee or participant) whether so expressed or not.

11.8 Right of Set-off.

Upon the occurrence and during the continuance of any Event of Default, each Lender is authorized at any time and from time to time, to the fullest extent permitted by law (including general principles of common-law), to 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 it to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower under any of the Credit Documents, irrespective of whether or not the Lender has made demand under any of the Credit Documents and although such obligations may be unmatured or contingent. If an obligation is unascertained, the Lender may, in good faith, estimate the obligation and exercise its right of set-off in respect of the estimate, subject to providing the Borrower with an accounting when the obligation is finally determined. Each Lender shall promptly notify the Borrower after any set-off and application is made by it, provided that the failure to give notice shall not affect the validity of the set-off and application. The rights of the Lenders under this Section 11.8 are in addition to any other rights and remedies (including all other rights of set-off) which the Lenders may have.

11.9 Accommodations by Lenders.

The failure of the Lender to make an Accommodation shall not relieve any other Lender of its obligations in connection with such Accommodation, but no Lender is responsible for any other Lender's failure in respect of an Accommodation. Unless the Administrative Agent receives

notice from a Lender prior to the date of any Accommodation that such Lender will not make its rateable portion of the Accommodation available to the Administrative Agent, the Administrative Agent may assume that such Lender has made its portion so available on the date of the Accommodation and may, in reliance upon such assumption, make a corresponding amount available to the Borrower. If a Lender has not made its rateable portion available to the Administrative Agent, such Lender shall pay the corresponding amount to the Administrative Agent immediately upon demand. If such Lender pays the corresponding amount to the Administrative Agent, the amount so paid shall constitute such Lender's part of the Accommodation for purposes of this Agreement. If such Lender does not pay the amount to the Administrative Agent immediately upon demand and such amount has been made available to the Borrower, the Borrower shall pay the corresponding amount to the Administrative Agent immediately upon demand and any amount received and so reimbursed would not and will not constitute an Accommodation. The Administrative Agent shall also be entitled to recover from such Lender or the Borrower, as the case may be, interest on the corresponding amount, for each day from the date the amount was made available to the Borrower until the date it is repaid to the Administrative Agent, at a rate per annum equal to the Administrative Agent's cost of funds.

11.10 Judgment Currency.

(1) If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due to a Lender in any currency (the “**Original Currency**”) into another currency (the “**Other Currency**”), the parties agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal business procedures, such Lender could purchase the Original Currency with the Other Currency on the Business Day preceding the day on which final judgment is given or, if permitted by applicable law, on the day on which the judgment is paid or satisfied.

(2) The obligations of the Borrower in respect of any sum due in the Original Currency from it to a Lender under any of the Credit Documents shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by such Lender of any sum adjudged to be so due in the Other Currency, such Lender may, in accordance with normal business procedures, purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to such Lender in the Original Currency, the Borrower agrees, as a separate obligation and notwithstanding the judgment, to indemnify such Lender, against any loss, and, if the amount of the Original Currency so purchased exceeds the sum originally due to such Lender in the Original Currency, such Lender shall remit such excess to the Borrower.

11.11 Interest on Amounts.

Except as may be expressly provided otherwise in this Agreement, all amounts owed by the Borrower to the Administrative Agent and to any of the Lenders, which are not paid when due (whether at stated maturity, on demand, by acceleration or otherwise) shall bear interest (both before and after default and judgment), from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the sum of the Base Rate (Canada) in effect from time to time, the Applicable Base Rate (Canada) Margin and 2%.

11.12 Severability.

Any provision hereof which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

11.13 No Disqualified Guarantee.

Notwithstanding any other provision of this Agreement or any other Credit Document, it is agreed that (i) other than pursuant to the last sentence of Section 3.1(j) and Section 3.1(l) of the KCP Fund Collateral Covenant Agreement and the last sentence of Section 3.1(i) and Section 3.1(k) of each of the Collateral Covenant Agreements to which KOT, KIK GenPar and KLP Holdco are a party, no asset held at any time by KIK GenPar, KLP Holdco, KOT or KCP Fund (the “**Non-Guarantors**”) is or will be Collateral and no such asset will directly or indirectly serve as collateral or security for any amount borrowed or due; (ii) the Non-Guarantors are not directly or indirectly pledging or granting a security interest in any asset held at any time by them; (iii) the Non-Guarantors are not directly or indirectly guaranteeing or assuring, on a conditional or unconditional basis, and are not providing any credit support with respect to, the payment of any amount borrowed or due; (iv) other than pursuant to Section 3.1(k) of the KCP Fund Collateral Covenant Agreement and Section 3.1(j) of each of the Collateral Covenant Agreements to which KOT, KIK GenPar and KLP Holdco are a party, the Non-Guarantors are not making any commitment to make a capital contribution to the Borrower or any Guarantor or to otherwise maintain the Borrower’s or any Guarantor’s financial viability; (v) the Non-Guarantors are not giving a “comfort letter” or entering into any arrangement (whether or not contingent upon the occurrence of any event) with respect to the payment of any amount borrowed or due, or with respect to the financial viability of the Borrower or any Guarantor, regardless of whether such letter or arrangement gives rise to a legally enforceable obligation; and (vi) in all events, no amount borrowed or due shall be subject to a “disqualified guarantee” within the meaning of Section 163(j) of the Code.

11.14 Entire Agreement.

This Agreement and the other Credit Documents referred to herein constitute the entire agreement between the parties hereto and supersede any prior agreements, undertakings, declarations, representations and understandings, both written and verbal, in respect of the subject matter hereof, including, without limitation, such agreements, undertakings, declarations, representations and understandings pursuant to the Commitment Letter.

11.15 Further Assurances.

(1) The Borrower and the Guarantors shall do, execute and deliver or shall cause to be done, executed and delivered all such further acts, documents and things as the Administrative Agent may reasonably request for the purpose of giving effect to this Agreement and the other Credit Documents and to each and every provision hereof and thereof.

(2) The Borrower or applicable Guarantor may at any time and from time to time enter into any instrument or agreement described in clauses (c), (h), (i) and (j) of the definition of Permitted Liens and the Administrative Agent may, acting reasonably, concur in, consent to and/or postpone or subordinate the Security to such instrument or agreement, upon receipt of: (a) a written request of the Borrower or applicable Guarantor so to do; and (b) an officer’s certificate

of the Borrower or Guarantor, as applicable, together with supporting evidence, the form and content of which must be satisfactory to the Administrative Agent, stating that: (i) such concurrence, consent, postponement or subordination, as the case may be, upon the terms upon which it is required to be carried out is required by the applicable Permitted Lien; (ii) such concurrence, consent, postponement or subordination in the circumstances thereof will not result in the occurrence of a Default or Event of Default; and (iii) the Borrower or Guarantor, as applicable, has complied with the provisions of this Agreement relating thereto such that, after execution of such instrument or agreement, such Liens comply with the applicable requirements of clauses (c), (h), (i) or (j), as the case may be, of the definition of Permitted Liens.

(3) The Borrower or relevant Guarantor may, at any time, without the consent of the Lenders or the Administrative Agent, amend, modify, cancel or release any of the Permitted Liens (other than the Security), or enter into any agreement or agree or concur in any waiver whereby any of the terms of the Permitted Liens (other than the Security) are amended, modified, cancelled or released, so long as after any amendments or modifications, such Liens continue to be Permitted Liens and conform to the applicable categories thereof. The Administrative Agent (on behalf of the Lenders) shall, without receiving any consideration therefor, consent to any such amendment, modification, variation, alteration, cancellation or release.

11.16 Submission to Jurisdiction.

The Borrower and the Guarantors hereby irrevocably submit to the non-exclusive jurisdiction of the Ontario Superior Court of Justice sitting in Toronto, Ontario in any action or proceeding arising out of or relating to this Agreement or any other Credit Document and the Borrower and the Guarantors hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such Court. The Borrower and the Guarantors hereby irrevocably waive, to the fullest extent they may effectively do so, the defense of any inconvenient forum to the maintenance of such action or proceeding. The Borrower and the Guarantors also irrevocably consent to the service of any and all process in any such action or proceeding by the mailing of copies of such process to them at their address specified herein. The Borrower and the Guarantors agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein shall affect the right of the Administrative Agent or any Lender to serve legal process in any other manner permitted by law or affect the right of the Administrative Agent or any Lender to bring any action or proceeding against the Borrower and the Guarantors or their property in the courts of any other jurisdiction.

11.17 Governing Law.

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

11.18 Counterparts.

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

11.19 Anti-Terrorism Laws.

(1) **General.** Neither the Borrower nor any of its Subsidiaries or Affiliates, is in violation of any Anti-Terrorism Law or engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibition set forth in any Anti-Terrorism Law.

(2) **Executive Order No. 13224.** Neither the Borrower nor any of its Subsidiaries or Affiliates, or their respective agents acting or benefiting in any capacity in connection with the Credit Facilities or other transactions hereunder, is any of the following (each a “**Blocked Person**”):

- (a) a Person that is listed in the annex to, or is otherwise subject to the blocking provisions of, the Executive Order No. 13224;
- (b) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the blocking provisions of, the Executive Order No. 13224;
- (c) a Person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;
- (d) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order No. 13224;
- (e) a person that is named as a “specially designated national” on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control at its official website or any replacement website or other replacement official publication of such list, or
- (f) a Person affiliated or associated with any Person listed above.

Neither the Borrower nor any of its Subsidiaries or Affiliates, nor any of its agents acting in any capacity in connection with the Credit Facilities or other transactions hereunder (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order No. 13224.

IN WITNESS WHEREOF the parties have executed this Credit Agreement.

**KIK HOLDCO COMPANY,
KIK ACQUISITION COMPANY,
KIK HOLDINGS LIMITED PARTNERSHIP,
by its general partner, KIK GENPAR
LIMITED, KOP HOLDINGS COMPANY,
KIK OPERATING PARTNERSHIP, by its
manager, KIK GENPAR LIMITED, KIK
NOMINEE INC., KIK INTERNATIONAL
LLC, 3068072 NOVA SCOTIA COMPANY,
KIK (HOUSTON) INC.,
KIK (SG) HOLDINGS LLC,
KIK (LOUISIANA) INC., KIK-NOCAL INC.,
KIK (TACOMA) INC., KIK-SOCAL INC.,
KIK (GEORGIA) LLC, HI-LEX LLC,
SEWELL PRODUCTS OF FLORIDA, LLC,
KIK (VIRGINIA) LLC, KIK (MISSISSIPPI)
LLC, KIK (INDIANAPOLIS) LLC, KIK
(DENVER) LLC, and
KIK CUSTOM PRODUCTS, INC.**

In each case,

by:

“David Cynamon”

David Cynamon

Authorized Signing Officer

THE TORONTO-DOMINION BANK, as
Administrative Agent

By: *"Wayne Shiplo"*
Authorized Signing Officer
Vice President

By: _____

THE TORONTO-DOMINION BANK, New
York Branch, as Lender

By: *"Robyn Zeller"*
Authorized Signing Officer

By: _____
Authorized Signing Officer

**CANADIAN IMPERIAL BANK OF
COMMERCE, NEW YORK BRANCH, as**
Lender

By: “Dominic Sorresso”
Authorized Signing Officer
Executive Director

By: “Geraldine Kerr”
Authorized Signing Officer
Executive Director

**NATIONAL BANK OF CANADA, NEW
YORK BRANCH**, as Lender

By: “Yvon LaPlante”
Authorized Signing Officer
Vice President and Manager

By: “Jeffrey Forgach”
Authorized Signing Officer
Assistant Vice President

