

EXHIBIT

M

DATED *21 November* 2012

IFMV CANADA INC.

as Continuing Party

- and -

RETAIL AGENTS LIMITED

as Outgoing Party

- and -

RETAIL AGENTS 230 LIMITED

as Incoming Party

DEED OF NOVATION



Millennium Bridge House
2 Lambeth Hill
London EC4V 4AJ

T. 020 7429 6000
F. 020 7429 6001
www.salans.com

THIS ASSIGNMENT IS MADE BY DEED ON

21 November 2012

BETWEEN:

- (1) **HMV CANADA INC.**, a company established under the laws of Ontario, Canada with Ontario corporation number 1282514, with its registered office at 100 King Street West, 1 First Canadian Place Suite 4400, Toronto, Ontario M5X 1B1 Canada (the "**Continuing Party**");
- (2) **RETAIL AGENTS LIMITED**, a company established under the laws of England with company registration number 05649828, with its registered office at 7 River Court, Brighthouse Road, Middlesbrough TS2 1RT (the "**Outgoing Party**"); and
- (3) **RETAIL AGENTS 230 LIMITED**, a company established under the laws of England with company registration number 07063114, with its registered office at 7 River Court, Brighthouse Business Village, Brighthouse Road, Middlesbrough TS2 1RT (the "**Incoming Party**")

(the Continuing Party, the Outgoing Party and the Incoming Party together being the "**Parties**" and each is a "**Party**".)

RECITALS:

(A) The Outgoing Party and the Continuing Party entered into:

- (i) a services agreement dated 6 September 2011 (the "**Services Agreement**"); and
- (ii) a sales implementation services agreement dated 6 September 2011, as amended and restated pursuant to an amendment and restatement agreement dated 7 September 2011 between the Outgoing Party and the Continuing Party (together, the "**Sales Agreements**")

(the Services Agreement and the Sales Agreements together being the "**Agreements**" and each is an "**Agreement**")

(B) The Parties have agreed that the Outgoing Party's rights, obligations and liabilities under the Agreements shall be novated to the Incoming Party on the terms of this Deed.

OPERATIVE PROVISIONS

1. NOVATION

- 1.1 The Outgoing Party transfers all its rights and obligations under the Contract to the Incoming Party. The Incoming Party shall enjoy all the rights and benefits of the Outgoing Party under the Agreements, and all references to the Outgoing Party in each Agreement shall be read and construed as references to the Incoming Party.
- 1.2 The Incoming Party agrees to perform each Agreement and be bound by its terms in every way as if it were the original party to it in place of the Outgoing Party.
- 1.3 The Continuing Party agrees to perform each Agreement and be bound by its terms in every way as if the Incoming Party were the original party to it in place of the Outgoing Party.

2. RELEASE OF OBLIGATIONS AND LIABILITIES

- 2.1 The Continuing Party and the Outgoing Party release each other from all future obligations to the other under the Agreements.
- 2.2 Each of the Continuing Party and the Outgoing Party releases and discharges the other from all claims and demands under or in connection with the Agreements, including without limitation claims for negligence and fraud, whether arising before or on the date of this Deed, and in each case whether known or not to the releasing party.
- 2.3 Each of the Continuing Party and the Incoming Party will have the right to enforce each Agreement and pursue any claims and demands under each Agreement against the other with respect to matters arising before, on or after the date of this Deed as though the Incoming Party were the original party to the relevant Agreement instead of the Outgoing Party.

3. EFFECTIVE DATE

The Parties agree that the effective date of this Deed shall be deemed to be 24 September 2012.

4. FURTHER ASSURANCE

Each Party shall do, or procure the doing of, all acts and things, and execute, or procure the execution of, all documents as may reasonably be required to give full effect to this Deed at the cost of the requesting party.

5. COUNTERPARTS

This Deed may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original and all the counterparts together shall constitute one and the same instrument.

6. THIRD PARTIES

A person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Deed.

7. GOVERNING LAW AND JURISDICTION

- 7.1 This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed for all purposes in accordance with, English law.
- 7.2 The Parties submit to the jurisdiction of the English courts to hear any suit or action arising hereunder.

EXECUTED as a Deed by the Parties and delivered on the date stated at the beginning of it.

Execution by the Continuing Party:

Executed as a deed by **HMV**
CANADA INC. acting by
HARVEY BERKEY, a director, in
the presence of:

Harvey Berkey
Director

[Signature]
Signature of witness

Name of witness:

Kim Horosko.

Address of witness:

5401 Eglinton Ave West

Unit 110, Etob. Ont M9C 5K6

Occupation of witness:

CHARTERED ACCOUNTANT

Execution by the Outgoing Party:

Executed as a deed by **RETAIL**
AGENTS LIMITED acting by
PAUL PATRICK MCGOWAN, a director, in
the presence of:

[Signature]
Director

[Signature]
Signature of witness

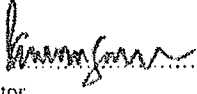
Name of witness: STEVEN RICHARD PELL

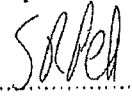
Address of witness: 80 NEW BOND STREET, LONDON, W1S 1SB, UNITED KINGDOM

Occupation of witness: CHARTERED ACCOUNTANT

Execution by the Incoming Party:

Executed as a deed by **RETAIL
AGENTS 230 LIMITED** acting by
PAUL PATRICK MCGOWAN, a director, in
the presence of:

.....
Director

.....
Signature of witness

Name of witness: STEVEN RICHARD PELL

Address of witness: 80 NEW BOND STREET, LONDON, W1S 1SB, UNITED KINGDOM

Occupation of witness: CHARTERED ACCOUNTANT

EXHIBIT

N

RETAIL AGENTS LIMITED
CONSULTANT

and

HMV CANADA INC.
COMPANY

AMENDMENT AND RESTATEMENT AGREEMENT

THIS AMENDMENT AND RESTATEMENT AGREEMENT is effective as of 7 September 2011

BETWEEN

- (1) **RETAIL AGENTS LIMITED**, a company established under the laws of England with company registration number 05649828, with its registered office at 7 River Court, Brighthouse Road, Middlesbrough TS2 1RT (the "**Consultant**"); and
- (2) **HMV CANADA INC.**, a company established under the laws of Ontario, Canada with Ontario Corporation number 1282514, with its registered office at 100 King Street West, 1 First Canadian Place Suite 4400, Toronto, Ontario M5X 1B1 Canada (the "**Company**").

INTRODUCTION

- (A) The Company and the Consultant entered into a Sales Implementation Services Agreement dated 6 September 2011 pursuant to which the Consultant agreed to provide consultancy services to the Company in order to maximise the sales of the Stock and other goods through clearance or similar sales in closing Stores.
- (B) The parties have agreed to amend and restate the Original Sales Implementation Services Agreement as set out in this agreement.

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATION

- 1.1 Terms defined in the Original Loan Agreement shall have the same meaning when used in this agreement unless defined below. In addition, the definitions below apply in this agreement.

"**Original Sales Implementation Services Agreement**" means the agreement described in recital (A)

"**Restated Sales Implementation Services Agreement**" means the Original Sales Implementation Services Agreement as amended and restated by this agreement in the form set out in Schedule 1.

- 1.2 The rules of interpretation of the Original Sales Implementation Services Agreement shall apply to this agreement as if set out in this agreement save that references in the Original Sales Implementation Services Agreement to "this agreement" shall be construed as references to this agreement.

- 1.3 Unless the context otherwise requires, references in the Original Sales Implementation Services Agreement to "this agreement" shall be to the Original Sales Implementation Services Agreement as amended and restated by this agreement.

1.4 In this agreement:

- (a) any reference to a "clause" or "Schedule" is, unless the context otherwise requires, a reference to a clause or Schedule of this agreement; and
- (b) clause and Schedule headings are for ease of reference only.

2. **RESTATEMENT OF THE ORIGINAL SALES IMPLEMENTATION SERVICES AGREEMENT**

With effect on and from the date of this agreement, the Original Sales Implementation Services Agreement shall be amended and restated in the form set out in Schedule 1 so that the rights and obligations of the parties to the Restated Sales Implementation Services Agreement shall, on and from that date, be governed by and construed in accordance with the provisions of the Restated Sales Implementation Services Agreement.

3. **MISCELLANEOUS**

- 3.1 This agreement may be executed and delivered in two or more counterparts, each of which is an original and which when read together shall constitute the same agreement.

4. **THIRD PARTY RIGHTS**

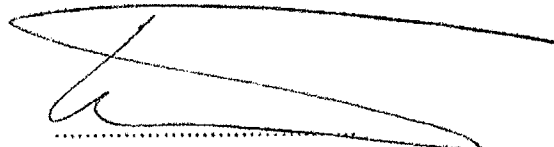
A person who is not a party to this agreement has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this agreement.

5. **GOVERNING LAW AND JURISDICTION**

- 5.1 This agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales, and the parties hereto submit to the jurisdiction of the English courts to hear any suit or action arising under this agreement (including any non-contractual disputes or claims).

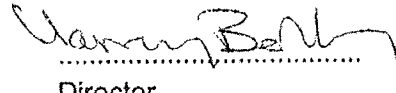
IN WITNESS whereof the parties have executed this agreement on the date stated at the beginning of it.

Signed by CHRIS EMMOTT
for and on behalf of RETAIL
AGENTS LIMITED



.....
Director

Signed by HARVEY BERKLEY
for and on behalf of HVM CANADA
INC.



.....
Director

**Schedule 1 Form of Amended and Restated Sales Implementation Services
Agreement**

STRICTLY PRIVATE AND CONFIDENTIAL

**RESTATED SALES IMPLEMENTATION
SERVICES AGREEMENT**

HMV CANADA INC

RETAIL AGENTS LIMITED

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THIS RESTATED AGREEMENT is effective as of 7 September 2011

BETWEEN:

- (1) **HMV Canada Inc**, a company established under the laws of Ontario, Canada with Ontario corporation number 1282514, with its registered office at 100 King Street West, 1 First Canadian Place Suite 4400, Toronto, Ontario M5X 1B1, Canada (the **Company**);
- (2) **Retail Agents Limited** (registered number 05649828) whose registered office is at 7 River Court, Brighthouse Road, Middlesbrough TS2 1RT (the **Consultant**);

WHEREAS:

- (A) The Company is in the process of closing a number of stores which are underperforming or where leases are expiring.
- (B) In recognition of the requirements of the Company the Consultant has provided and has agreed to continue to provide consultancy services to the Company in order to maximise the sales of the Stock and other goods through clearance or similar sales at the Stores, and if appropriate to conduct an orderly wind down and closure of the Stores, for the Services Term (the **Services**). The Consultant shall provide the Services for the fees, and on the terms and conditions, set out in this agreement. The Company has decided to appoint the Consultant to provide the Services.

IT IS AGREED

1. DEFINED TERMS

- 1.1 In this agreement, including the recitals and the schedules, the following words and phrases shall have the following meanings:

Business Day means a day on which clearing banks are open for business in the City of London;

Business Locations means the Head Office, the Stores and the Warehouse;

Consultant's Costs means all reasonable expenses properly incurred by the Consultant directly in relation to the Services during the Services Term, including, for the avoidance of doubt, any expenses incurred by the Consultant in engaging or otherwise in relation to the RAL Consultants and any expenses incurred by the RAL Consultants in relation to the provision of the Services;

Consultant's Representative means a manager appointed by the Consultant to be its representative at the Business Locations;

Employees means all persons employed by the Company at the Business Locations from time to time;

FF&E means all fixtures, fittings and equipment owned by the Company;

Head Office means 110-5401 Eglinton Avenue West, Etobicoke, Ontario M9C 5K6, Canada or such other premises designated by the company;

RAL Consultants means those persons (including employees of the Consultant or any other companies affiliated to the Consultant and self employed consultants engaged by the

Consultant) reasonably utilised by the Consultant in connection with the provision of the Services;

RAL Consultants' Fees means the fees payable to the Consultant under clause 3.2;

Services has the meaning ascribed to it in recital (B);

Services Commencement Date means 26 July 2011;

Services Term means the period from the Services Commencement Date until the date of termination of this agreement under clause 9 or clause 14 (or such other period as may be agreed by the parties in writing);

Stock means all goods held by the Company for the purpose of resale;

Stores means those retail stores listed in Schedule 1 as may be amended by agreement in writing by the parties from time to time;

Supplies means all sales materials owned by the Company other than for the purposes of resale and located at the Business Locations at the date of this agreement including without limitation, boxes, carrier bags, paper, twine and similar items;

VAT means Value Added Tax or any similar tax replacing it or performing any similar fiscal function chargeable or payable in accordance with applicable UK taxation legislation; and

Warehouse means 5680 Ambler Drive, Mississauga, Ontario L4W 2K9, Canada

- 1.2 Reference to a clause or Schedule is to a clause or schedule of or to this agreement, unless the context requires otherwise.
- 1.3 Reference to any gender includes the other genders and words denoting the singular include the plural and vice versa unless the context requires otherwise. Reference to a **person** includes any individual, firm, unincorporated association or body corporate.
- 1.4 Reference to a statutory provision includes a reference to that statutory provision as from time to time amended, extended or re-enacted and any regulations made under it.
- 1.5 The headings in this agreement are for ease of reference only and shall not affect its construction or interpretation.

2. APPOINTMENT OF CONSULTANT

- 2.1 The Company is in the process of closing a number of stores which are underperforming or where leases are expiring.
- 2.2 In recognition of the requirements of the Company, the Consultant has provided and has agreed to continue to provide the Services to the Company for the fees and on the terms and conditions set out in this agreement and the Company has appointed the Consultant to provide the Services.

3. CONSULTANT'S FEES AND COSTS

- 3.1 The Consultant's team will be led by Steven Pell, with the assistance of Bennoe Derksen. Further staff of the Consultant, and RAL Consultants, will be involved as required.
- 3.2 As consideration for the provision by the Consultant of the RAL Consultants and the Services set out in this agreement, the Company shall pay the RAL Consultants' Fees. The

RAL Consultants' Fees will be charged at the rate of £1,000 per RAL Consultant per day (or part of a day) worked plus VAT and shall be invoiced weekly in arrears and paid by the Company within 7 days of invoice.

- 3.3 The Company shall pay the Consultant's Costs from time to time within 7 days of invoice for the same.

- 3.4 In addition to the fees outlined above, the Consultant shall be entitled to a success fee equal to 75% of the additional gross margin earned in excess of the phased forecast provided to the Company on net sales made in store closures commenced after the effective date of this agreement. This fee shall be calculated store by store on a weekly basis and invoiced at the end of each month. In the event that the value of the success fee invoiced for each store is in excess of the total success fee due for that store at the end of the project, a credit note will be issued for the balance.

4. PROCEEDS OF SALE OF STOCK AND FF&E

The Company shall be entitled to receive the proceeds of sale from the Stock and the FF&E located at the Stores.

5. SERVICES TERM

- 5.1 The Services commenced on the Services Commencement Date.

- 5.2 The Company hereby grants to the Consultant access to the Business Locations, at no charge, during the Services Term, in so far as is reasonably necessary in order to provide the Services. The Consultant will not use the Business Locations during the Services Term for any purpose other than the administration of the Services and the provision of the Services in accordance with the terms of this agreement, and will ensure that its employees and staff engaged at the Business Locations, and the RAL Consultants, shall comply with the Company's site safety rules and lawful and reasonable instructions as to their conduct whilst at the Business Locations.

- 5.3 On closure of a Store, the Consultant shall ensure that the Store is left in a clean and tidy condition (broom clean), ordinary wear and tear excepted, except for those areas of the Store used by any person over which the Consultant or the Company has no control. The Consultant shall vacate the Store on its closure.

- 5.4 On closure of a Store, or as soon as practicable thereafter, the Consultant shall return to the Company any keys to the relevant Store that are in its possession or control.

- 5.5 The Consultant shall not be liable for any damage to any or all of the Business Locations save to the extent that such damage is caused by any act or omission of the Consultant or the RAL Consultants.

6. HEAD OFFICE AND EPOS

The Company shall use its reasonable endeavours to continue during the Services Term the operation of any computer systems and shall provide all information relating to them to the Consultant to operate the Stores in the context of performing the Services when reasonably requested by the Consultant without charge.

7. CONDUCT OF THE SERVICES

- 7.1 It is acknowledged by the Company that the Consultant is acting in an advisory capacity and that the Company is responsible for the strategic and operational direction of the

business. To the extent that the Consultant is directed to do so by the Company, it shall perform the Services.

7.2 The Company shall make available to the Consultant in so far as is reasonably practicable and legally and contractually permissible during the Services Term:

- (a) the use without charge of all FF&E located at the Business Locations, pre-existing advertising materials, store-level customer lists and mailing lists, existing computer hardware and software, existing Supplies, intangible assets (including the Company name, logo and website), existing store keys, existing case keys, security codes, and safe and lock combinations required to gain access to and operate the Business Locations and any other assets of the Company located at the Business Locations, and shall provide all normal trading facilities as currently available at the Business Locations to enable the sale of the Stock;
- (b) the use without charge of the Company's existing office facilities, existing central and administrative services and existing personnel to process payroll, perform MIS services, and provide other necessary central office services as currently available within the Company; and
- (c) suitable office accommodation as is necessary at the Head Office for the reasonable use of the Consultant's staff and the RAL Consultants.

7.3 The Company and the Consultant agree that all sales of Stock during the Services Term may be paid for by customers by any means of payment accepted by the Company on or immediately before the Services Commencement Date, and agree to accept all such means of payment throughout the Services Term.

7.4 The Company shall be responsible for all sales taxes on the sales of the Stock and shall account to the relevant tax authorities in respect of the same.

7.5 The Company shall implement the agreed advice given by the Consultant's Representative during the Services Term, provided that such advice does not require the Company to act in breach of any contract of employment or statute or in breach of good industrial relations practice (determined by reference to the applicable Codes of Practice as published by ACAS and by the Company's established practices and procedures of which the Consultant is notified in writing by the Company) or otherwise to act in a manner likely to cause the Company to incur any additional liability.

7.6 The Consultant will provide the services of the RAL Consultants at its own discretion.

8. INTERFACE

8.1 The parties shall meet regularly and in any event weekly, during the Services Term at the offices of the Company in order to discuss the Consultant's advice and/or the implementation of the decisions of the Company.

8.2 Each party shall appoint a relationship manager to attend such meetings on its behalf (**Relationship Manager**).

8.3 The Relationship Managers will raise any issues, problems or concerns arising in the context of implementation of the Services or the performance of the Services at such monthly meetings and such issues, problems or concerns shall be discussed and both parties shall use all reasonable endeavours to resolve any issues which may arise.

9. SERVICES TERM DISPUTES

- 9.1 In the event that during the Services Term the Consultant reasonably believes that the Company has failed or is intending to fail in any way to follow, or the Company declares its intention not to follow, any pertinent recommendation of the Consultant in relation to the Services (the **Services Term Dispute**):
- (a) the Consultant shall as soon as reasonably practicable give written notice to the Company of the Services Term Dispute; and
 - (b) the Services Term Dispute shall be referred to the Relationship Managers, who shall use all reasonable endeavours to meet to discuss the Dispute with a view to arriving at a resolution of the Dispute.
- 9.2 If the Services Term Dispute is not resolved within 5 Business Days of the notice given under clause 9.1(a) above and the Company proceeds with the relevant action or decision against the Consultant's recommendation such that the Company's action or decision is materially inconsistent with the future performance of the Services, the Consultant shall be entitled to terminate this agreement immediately by written notice to the Company, and in such event the Consultant shall have no further obligations under this agreement or as a result of the consequences of the matter in dispute.

10. EMPLOYEES

- 10.1 The Company is and shall remain fully responsible to each Employee for its Employees' terms and conditions of employment and the Company shall comply with all statutory obligations imposed on it as an employer.
- 10.2 The Company shall be responsible for all its decisions in connection with the Employees and the Consultant shall procure that the Consultant's Representative shall act in an advisory or, if directed to do so by the Company, in an implementation capacity only.
- 10.3 As between the Company and the Consultant, the Company shall be fully responsible for all benefits due to the Employees including, without limitation, all salaries and other emoluments, including holiday pay, sickness and maternity pay, tax and national insurance payments, pensions contributions and repayment of expenses relating to the Employees in respect of the period prior to the date of this agreement and during the Services Term. The Consultant shall not be responsible for any salaries or other emoluments.

11. THE BUSINESS LOCATIONS

- 11.1 During the Services Term the Company shall remain in sole control and occupation of the Business Locations. It is not intended that this agreement shall create any lease of any of the Business Locations in favour of the Consultant.
- 11.2 The Company shall not vacate any of the Business Locations prior to the termination of this agreement without the prior written agreement of the Consultant such agreement not to be unreasonably withheld or delayed.

12. INSURANCE

- 12.1 The Company shall during the Services Term continue at its cost and expense, in such amounts as it currently has in effect, all of its existing employers liability, public liability and stock insurance policies and shall if reasonably required by the Consultant provide the Consultant with evidence of such insurance and of due payment of the current premium therefore.

- 12.2 Without limiting any other provision of this agreement, the Company acknowledges that the Consultant is providing the Services to the Company, and that in such capacity the Consultant shall not be deemed to be in possession or control of the Stores, the assets located in them or of the Employees. The Company and the Consultant agree that the Company shall bear all responsibility for claims of customers, Employees and other third parties arising from events occurring at the Business Locations before, during and after the Services Term, except to the extent any such claims arise from the negligent acts or omissions or wilful misconduct of the Consultant or the Consultant's Representative, at the Business Locations (a **Consultant Claim**). The Consultant shall administer any Consultant's Claims at its own expense and shall present all such claims to its liability insurer, and shall provide a copy of all documentation relating to such claim to the Company, upon written request by the Company.

13. INDEMNIFICATION

- 13.1 The Consultant shall indemnify and hold the Company harmless from and against all claims, demands, penalties, losses, liability or damage, including, without limitation, reasonable legal fees and expenses, relating to:
- (a) any harassment or any other unlawful, tortious or otherwise actionable treatment of any Employees or consultants of the Company by the Consultant or any of its authorised representatives;
 - (b) any claims by any party engaged by the Consultant as an employee, agent or independent contractor (including without limitation the RAL Consultants) arising out of such engagement;
 - (c) the negligence or misconduct of the Consultant; or
 - (d) any Consultant Claims.
- 13.2 The Consultant's total aggregate liability under this agreement shall not in any circumstances exceed the total fees paid to the Consultant under this agreement.
- 13.3 The Company acknowledges that the contractual relationship is with the Consultant only and the liability of the RAL Consultants, officers, employees and any other group or affiliated company, including holding companies, shareholders, employees, officers and professional advisers is specifically excluded. Any claim would accordingly lie against the Consultant alone.
- 13.4 The Company shall indemnify and hold the Consultant harmless from and against all claims, demands, penalties, losses, liability or damage relating to all operations at the Business Locations, including but not limited to all such liabilities arising in relation to:
- (a) the Employees whether in relation to termination of employment, death, retirement (including but not limited to all pension entitlements) or disability benefits or otherwise;
 - (b) the Business Locations including but not limited to any dilapidation costs and all costs relating to the division or vacation of any of the Business Locations including vacant property rentals and other costs; or
 - (c) taxation, including but not limited to corporation tax,
- other than those relating to any breach by the Consultant of any of the provisions of this agreement.

14. TERMINATION

- 14.1 The Consultant shall be entitled to terminate this agreement without cause on 14 days written notice to the Company.
- 14.2 Each of the Company and the Consultant shall be entitled immediately to terminate this agreement by written notice to the other if:
- (a) the other commits any material breach of any of the provisions of this agreement and, in the case of a breach capable of remedy, fails to remedy the same within seven days after receipt of a written notice giving full particulars of the breach and requiring it to be remedied; or
 - (b) a liquidator, administrator, or other similar officer is appointed over the other or over all or a substantial part of the other's assets or the other enters into or proposes any composition or arrangement with its creditors (other than for the purposes of a solvent amalgamation or reconstruction) or the other party is wound-up or dissolved.
- 14.3 Any waiver by either party of a breach of any provision of this agreement shall not be considered as a waiver of any subsequent breach of the same or any other provision of this agreement.

15. CONSEQUENCES OF TERMINATION

- 15.1 Upon termination of this agreement for any reason:
- (a) the Consultant shall cease to provide the Services; and
 - (b) the Company shall immediately pay the Consultant the full amount payable under clause 3 of this agreement (whether invoiced or not); and
 - (c) subject as otherwise provided in this agreement and to any rights or obligations which have accrued prior to termination, neither party shall have any further obligation to the other under this agreement.

16. NON WAIVER

- 16.1 No delay or omission on the part of any party to this agreement in exercising any right, power or remedy provided under this agreement or any other documents referred to in it shall impair such right, power or remedy or operate as a waiver thereof.
- 16.2 The single or partial exercise of any right, power or remedy provided under this agreement shall not preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

17. NOTICES

- 17.1 Any notice or other communication to be given under this agreement shall be in writing and shall be deemed to have been duly served on, given to or made in relation to a party if it is left at the authorised address of that party or posted by registered post addressed to that party at such address or by fax to that party's authorised fax number and shall if:
- (a) personally delivered, be deemed to have been received at the time of delivery; or
 - (b) posted to an inland address in the United Kingdom, be deemed to have been received on the second Business Day after the date of posting and if posted to an

overseas address, be deemed to have been received on the fifth Business Day after the date of posting; or

- (c) faxed, be deemed to have been delivered, at the time of transmission;

provided that where, in the case of delivery by hand delivery or by fax occurs after 6 pm on a Business Day or on a day which is not a Business Day, receipt shall be deemed to occur at 9 am on the next following Business Day.

- 17.2 For the purposes of this clause the authorised address and fax number of the parties are as follows:

If to the Company: to The Company Secretary, **HMV Canada Inc**, 110-5401 Eglinton Avenue West, Etobicoke, Ontario M9C 5K6, Canada – fax no +1 416 620 5309.

If to the Consultant: to The Company Secretary, **Retail Agents Limited**, 7 River Court, Brighthouse Road, Riverside Park, Middlesbrough TS2 1RT – fax no +44 (0)1642 249 196.

18. APPLICABLE LAW AND JURISDICTION

- 18.1 This agreement is governed by, construed and take effect in accordance with, English law.
- 18.2 The courts of England shall have exclusive jurisdiction to settle any claim, dispute or matter of difference which may arise out of or in connection with this agreement (including without limitation claims for set-off or counterclaim) or the legal relationships established by this agreement.
- 18.3 Each of the parties hereto agrees that in the event of any action between any of the parties hereto being commenced in respect of this agreement or any matters arising under it, the process by which it is commenced, (where consistent with the applicable court rules) may be served on them in accordance with clause 17.

19. ENTIRE AGREEMENT

This agreement (together with all of the other documents to be entered into pursuant to it) sets out the entire agreement and understanding between the parties relating to the matters contemplated by this agreement, and all conditions, terms and warranties, whether express or implied are excluded if they are not expressly set out in this agreement.

20. MISCELLANEOUS

- 20.1 Nothing in this agreement is intended to establish any relationship of agent and principal between the parties or to create any partnership or joint venture or to create any tenancy or any other proprietary interest whatsoever.
- 20.2 If any clause, part of a clause or other provision in this agreement shall be or become void or unenforceable the remainder of this agreement shall remain in full force and no party shall be discharged from its remaining obligations under this agreement.
- 20.3 No provision of this agreement is enforceable pursuant to the Contracts (Rights of Third Parties) Act 1999 by any person who is not a party to it.
- 20.4 The Company shall not assign or charge this agreement or any rights under it without the prior written consent of the Consultant.
- 20.5 Each party shall pay its own costs and expenses in relation to the negotiation, preparation, and implementation of this Agreement (and the documents referred to herein), including the fees and disbursements of their respective legal, accountancy and other advisers.

- 20.6 No variation, amendment, supplement, deletion or replacement of or from this Agreement or any of its terms shall be effective unless made in writing and signed by or on behalf of each party.
- 20.7 The Company shall not, unless required by law, regulation or the rules of any regulatory authority or stock exchange or with the Consultant's written consent, make any announcement mentioning the Consultant.
- 20.8 This Agreement may be executed in the form of one or more counterparts in like form each of which shall be deemed to be an original when taken together and shall constitute one and the same document.

SCHEDULE 1

The Stores

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

Lynden Park Mall, 84 Lynden Road, Brantford, ON N3R 6B8;

Signal Hill, 5979 Signal Hill Centre SW, Calgary, AB T3H 3P8;

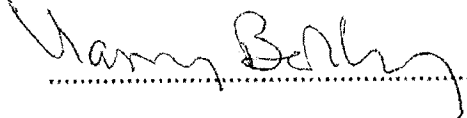
Richmond Centre, 6551 #3 Road, Richmond, BC V6Y 2B6;

Robson Street, 788 Burrard Street, Vancouver, BC V6Z 2V6; and,

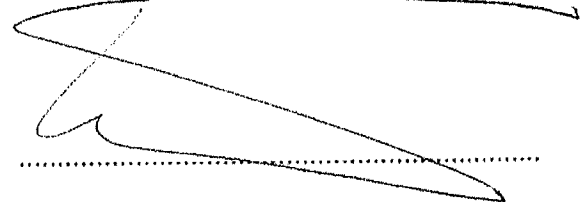
Any additional stores, as may be agreed by the parties in writing from time to time.

SIGNATORIES

SIGNED by
for and on behalf of
HMV CANADA INC

)
)
) 
)

SIGNED by
for and on behalf of
RETAIL AGENTS LIMITED

)
)
) 
)

EXHIBIT

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GENERAL SECURITY AGREEMENT

BETWEEN:

HMV CANADA INC.

-and-

RETAIL AGENTS 230 LIMITED

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GENERAL SECURITY AGREEMENT

THIS AGREEMENT is made the 19th day of January, 2015.

BETWEEN:

HMV CANADA INC.

(the "Grantor")

AND

RETAIL AGENTS 230 LIMITED

(the "Secured Party")

RECITALS:

- A. The Grantor has agreed to grant a security interest and assignment, mortgage, hypothecation and charge in the Collateral as provided herein in order to secure the performance of its Obligations (as defined below) to the Secured Party.

NOW THEREFORE, in consideration of the foregoing and the representations, warranties, covenants, conditions, agreements and promises contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties to this Agreement, the parties agree as follows:

ARTICLE I INTERPRETATION

1.1 Definitions

The following terms shall have the following corresponding meanings:

"Accessions" has the meaning given to it in the PPSA.

"Account" has the meaning given to it in the PPSA.

"Agreement", "this Agreement", "the Agreement", "herein", "hereby", "hereof", "hereunder" and similar expressions mean this General Security Agreement dated January __, 2015 between the Grantor and the Secured Party, including all schedules and all instruments amending or restating this Agreement. All references to "Articles", "Sections", and "Schedules" mean and refer to the specified article, section and schedule of this Agreement.

"BIA" means the *Bankruptcy and Insolvency Act* (Canada).

"Business Day" means any day which is not a Saturday, a Sunday or a day observed as a statutory or civic holiday under the laws of the Province of Ontario, or the federal laws of Canada applicable in the Province of Ontario.

"CCAA" means the *Companies' Creditors Arrangement Act* (Canada).

"Certificated Security" has the meaning given to it in the STA.

"Chattel Paper" has the meaning given to it in the PPSA.

"Collateral" has the meaning given to it in Section 2.1 of this Agreement.

"Consumer Goods" has the meaning given to it in the PPSA.

"Contractual Rights" has the meaning given to it in Section 2.3 of this Agreement.

"Control" means, with respect to a specified form of Investment Property, "control" as defined in Sections 23 through 26 of the STA as applicable to such form of Investment Property.

"Control Agreement" means: (a) with respect to any Uncertificated Securities included in the Collateral, an agreement between the Issuer of such Uncertificated Securities and another Person whereby such Issuer agrees to comply with instructions that are originated by such Person in respect of such Uncertificated Securities, without the further consent of the Grantor; and (b) with respect to any Security Entitlements in respect of Financial Assets included in the Collateral, an agreement between the Securities Intermediary in respect of such Security Entitlements and another Person pursuant to which such Securities Intermediary agrees to comply with any Entitlement Orders with respect to such Security Entitlements that are originated by such Person, without the further consent of the Grantor.

"Debt Agreement" means the Deed of Novation re Assignment of Services Agreement and Agreement and Restated Sales Implementation Services Agreement among Retail Agents Limited, the Secured Party and the Grantor, dated November 21, 2012 (with effect as of September 24, 2012) (as from time to time amended, amended and restated, supplemented or otherwise modified, refinanced or replaced), pursuant to which the Secured Party has agreed to make certain sales assistance to and for the benefit of the Grantor.

"Document of Title" has the meaning given to it in the PPSA.

"Entitlement Order" has the meaning given to it in the STA.

"Equipment" has the meaning given to it in the PPSA.

"Event of Default" has the meaning given to it in Article V of this Agreement.

"Financial Asset" has the meaning given to it in the STA.

"GAAP" has the meaning given to it in Section 1.4 of this Agreement.

"Goods" has the meaning given to it in the PPSA.

"Governmental Authority" means any governmental, regulatory or administrative authority, department, agency, commission, board, panel, tribunal, Crown corporation, Crown ministry or court or other law, rule or regulation-making or enforcing entity having or purporting to have jurisdiction on behalf of any nation, or province, territory or state or other subdivision thereof or any municipality, district or other subdivision thereof.

"Grantor" means HMV Digital Holdings ULC, its heirs, personal representatives, successors and permitted assigns.

"Instrument" has the meaning given to it in the PPSA.

"Intangible" has the meaning given to it in the PPSA.

"Intellectual Property" means (a) patents, and applications therefor; (b) registered and unregistered trade-marks, service marks and other indicia of origin, pending trade-mark and service mark registration applications, and intent-to-use registrations or similar reservations of

marks; (c) registered and unregistered copyrights and mask works, and applications for registration of either; (d) internet domain names, applications and reservations for internet domain names, uniform resource locators and the corresponding Internet sites; (e) trade secrets and proprietary information not otherwise listed in (a) through (d) above, including, without limitation, unpatented inventions, invention disclosures, moral and economic rights of authors and inventors (however denominated), confidential information, technical data, customer lists, corporate and business names, trade names, trade dress, brand names, know-how, show-how, mask works, circuit topography, formulae, methods (whether or not patentable), designs, processes, procedures, technology, source codes, object codes, computer software programs, databases, data collections and other proprietary information or material of any type, and all derivatives, improvements and refinements thereof, howsoever recorded, or unrecorded; (f) any of the foregoing licensed by Grantor; and (g) any goodwill associated with any of the foregoing.

"Inventory" has the meaning given to it in the PPSA.

"Investment Property" has the meaning given to it in the PPSA.

"Issuer" has the meaning given to it in the STA.

"Money" has the meaning given to it in the PPSA.

"Notice" has the meaning given to it in Section 6.2 of this Agreement.

"Obligations" means all obligations, debts and liabilities of the Grantor to the Secured Party, present or future, direct or indirect, absolute or contingent, matured or not, all interest, commissions, legal (including legal fees on a full indemnity basis) and other costs, charges and expenses, whenever and however incurred, in any currency at any time owing by the Grantor to the Secured Party or remaining unpaid by the Grantor to the Secured Party and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again, whether arising from dealings between the Secured Party and the Grantor or from other dealings or proceedings by which the Secured Party may be or become in any manner whatsoever a creditor of the Grantor and wherever incurred and whether incurred by the Grantor alone or with another or others and whether as principal, surety or guarantor, whether pursuant to the Debt Agreement or otherwise whether arising before, during or after the initial or any

renewal term of this Agreement or after the commencement of any proceeding with respect to the Grantor under the BIA, the CCAA or any similar statute in any jurisdiction (including, the payment of interest and other amounts which would accrue and become due but for the commencement of such proceeding, whether or not such amounts are allowed or allowable in whole or in part in such proceeding).

"Permitted Encumbrances" has the meaning given to it in Section 4.2 of this Agreement.

"Person" means any individual, sole proprietorship, limited or unlimited liability corporation or company, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, body corporate, joint venture, trust, pension fund, union, Governmental Authority, and a natural person, including in such person's capacity as trustee, heir, beneficiary, executor, administrator or other legal representative.

"PPSA" means the *Personal Property Security Act* (Ontario).

"Proceeds" has the meaning given to it in the PPSA.

"Receiver" means any receiver, interim receiver, receiver and manager or agent of all or any part of the Collateral appointed by the Secured Party.

"Secured Party" means HUK 10 Ltd, its heirs, personal representatives, successors or assigns.

"Securities Account" has the meaning given to it in the STA.

"Securities Entitlement" has the meaning given to it in the STA.

"Securities Intermediary" has the meaning given to it in the STA.

"Security" means an obligation of an Issuer or a share, participation or other interest in an Issuer or in property or an enterprise of an Issuer, (a) that is represented by a security certificate in bearer form or registered form, or the transfer of which may be registered on books maintained for that purpose by or on behalf of the Issuer; (b) that is one of a class or series, or by its terms is divisible into a class or series, of shares, participations, interests or obligations; and (c) that, (i) is, or is of a type, dealt in or traded on securities exchanges or securities markets, or (ii) is a

medium for investment and by its terms expressly provides that it is a security for the purposes of the STA.

“STA” means the *Securities Transfer Act*, 2006 (Ontario).

“ULC Shares” has the meaning given to it in Section 3.2(h)(ix) of this Agreement.

“Uncertificated Security” has the meaning given to it in the STA.

1.2 Certain Rules of Interpretation

In this Agreement and the Schedules:

- (a) **Time** - Time is of the essence in and of this Agreement.
- (b) **Calculation of Time** - Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends. Where the last day of any such time period is not a Business Day, such time period shall be extended to the next Business Day following the day on which it would otherwise end.
- (c) **Business Days** - Whenever any action to be taken or payment to be made pursuant to this Agreement would otherwise be required to be made on a day that is not a Business Day, such action shall be taken or such payment shall be made on the first Business Day following such day.
- (d) **Currency** - Unless otherwise specified, all references to amounts of money in this Agreement refer to the lawful currency of Canada.
- (e) **Headings** - The descriptive headings preceding Articles and Sections of this Agreement are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of the content of such Articles or Sections. The division of this Agreement into Articles and Sections shall not affect the interpretation of this Agreement.

- (f) **Including** – Where the word “including” or “includes” is used in this Agreement, it means “including without limitation” or “includes without limitation”.
- (g) **Plurals and Gender** - The use of words in the singular or plural, or referring to a particular gender, shall not limit the scope or exclude the application of any provision of this Agreement to such Persons or circumstances as the context otherwise permits.
- (h) **Statutory References** - Any reference to a statute shall mean the statute in force as at the date of this Agreement (together with all regulations promulgated thereunder), as the same may be amended, re-enacted, consolidated or replaced from time to time, and any successor statute thereto, unless otherwise expressly provided.

1.3 Applicable Law and Attornment

This Agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated, in all respects, as an Ontario contract. The Grantor hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario to hear any suit or action arising hereunder.

1.4 Accounting Principles

All references to generally accepted accounting principles or “GAAP” mean Canadian generally accepted accounting principles applied on a consistent basis and which are in accordance with the recommendations made from time to time by the Canadian Institute of Chartered Accountants, or any successor institute, including those recommended in the CICA Handbook, on the date on which such generally accepted accounting principles are applied. In the event that a change in GAAP, including for greater certainty, the adoption of International Financial Reporting Standards by the Grantor, (“GAAP Change”) results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Grantor and the Secured Party agree to enter into negotiations in order to amend such provisions of this Agreement so as to reflect equitably such GAAP Change with the desired result that the criteria

for evaluating the Grantor's financial condition shall be the same after the GAAP Change as if such GAAP Change had not been made. Until such time as the Grantor and the Secured Party have executed and delivered an amendment to this Agreement in accordance with this provision, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such GAAP Change had not occurred.

1.5 Schedules

The Schedules described below and appended to this Agreement shall be deemed to be integral parts of this Agreement:

Schedule 3.1(b)	Place(s) of Business and Location(s) of Records and Collateral
Schedule 3.1(d)	Intellectual Property
Schedule 3.1(e)	Instruments and Investment Property
Schedule 3.1(f)	Motor Vehicles

**ARTICLE II
GRANT OF SECURITY INTEREST**

2.1 Security Interest

As general and continuing security for the payment and performance of all Obligations of the Grantor to the Secured Party, the Grantor grants to the Secured Party a security interest in the present and future assets, undertaking and property, both real and personal, including those acquired by amalgamation, of the Grantor (collectively, the "Collateral"), and as further general and continuing security for the payment and performance of the Obligations, the Grantor assigns the Collateral to the Secured Party and mortgages and charges the Collateral (excluding Contractual Rights and Intellectual Property which are subject to the security interest only) as and by way of a fixed and specific mortgage and charge to the Secured Party. Without limiting the generality of the foregoing, the Collateral will include all right, title and interest of the Grantor in all property of the following kinds:

- (a) Accounts;

- (b) Chattel Paper;
- (c) Documents of Title;
- (d) Equipment;
- (e) Goods;
- (f) Intangibles;
- (g) Intellectual Property;
- (h) Inventory;
- (i) Investment Property and Financial Assets;
- (j) Money;
- (k) Securities and Instruments;
- (l) all books and records of the Grantor, including all books, papers, business plans, accounts, invoices, documents and other records in any form evidencing or relating to any of the property described in this Section 2.1 and all contracts and other rights and benefits in respect thereof;
- (m) all replacements of, substitutions for and increases, additions and Accessions to any of the property described in this Section 2.1; and
- (n) all proceeds of any Collateral in any form derived directly or indirectly from any dealing with the Collateral or that indemnifies or compensates for the loss of or damage to the Collateral.

2.2 Exception for Last Day of Leases

This assignment and mortgage and charge will not (a) extend or apply to the last day of the term of any lease or any agreement to lease now held or hereafter acquired by the Grantor, but should the Secured Party enforce this assignment and mortgage and charge, the Grantor will thereafter stand possessed of such last day and must hold it in trust to assign it to the Secured Party or to

any Person acquiring such term in the course of the enforcement of this assignment and mortgage and charge, or (b) render the Secured Party liable to observe or perform any term, covenant or condition of any agreement, document or instrument to which the Grantor is a party or by which it is bound.

2.3 Exception for Contractual Rights

The security interest created hereby does not and shall not extend to, and Collateral shall not include, any contract, right or licence (the "**Contractual Rights**") of the Grantor, including any right of the Grantor as security holder, shareholder or holder of a partnership interest, if pursuant to the terms of such Contractual Right, or pursuant to the terms of any agreement affecting such Contractual Right, the Contractual Right would automatically terminate if it was part of the Collateral charged hereby, or would be terminable at the option of the other party or of the grantor, or would be subject to disposition, alteration or amendment at the option of another party including another security holder, shareholder or holder of a partnership interest. The Grantor shall hold its interest in the Contractual Rights in trust for the Secured Party and the security interest granted hereby shall automatically extend to such Contractual Rights once the appropriate consents of the other parties to such Contractual Rights are obtained.

2.4 Enforcement of Contractual Rights

On or after the occurrence of any Event of Default which is continuing, in order that the full value of the beneficial interest in the Contractual Rights not assigned to the Secured Party pursuant to this Agreement but held in trust for the Secured Party pursuant to Section 2.3 hereof, may be realized for the benefit of the Secured Party, the Grantor shall, at the request and expense and under the direction of the Secured Party, in the name of the Grantor, take all such action and do or cause to be done all such things as are desirable in order that the obligations of the Grantor under such Contractual Rights may be performed in such manner that the beneficial interest in such Contractual Rights shall be preserved and shall enure to the benefit of the Secured Party or as the Secured Party may direct in writing and the collection of any monies due and payable and to become due and payable shall be facilitated and the Grantor will promptly pay over to the Secured Party or as the Secured Party may direct in writing all monies collected by or paid to the Grantor in respect of the beneficial interest in every such Contractual Right.

2.5 Attachment of Security Interest

The Grantor acknowledges and agrees that: (a) value has been given by the Secured Party, (b) it has rights in the Collateral or the power to transfer rights in the Collateral, (c) the security interest will attach when the Grantor signs this Agreement, and (d) it has not otherwise agreed to postpone the time of attachment.

The Grantor further acknowledges that: (a) all Collateral that is Certificated Securities has been delivered to and deposited with the Secured Party under section 68 of the STA in bearer form, or in registered form duly endorsed in blank to the Secured Party, allowing the Secured Party to obtain Control over the Certificated Securities; and (b) the Grantor has delivered all necessary consents, Control Agreements, or other documents that may be required to effect the transfer of Control of all Collateral that is Investment Property to the Secured Party.

2.6 Direct Agreement with Licensor(s) of Intellectual Property

Grantor shall co-operate diligently with the Secured Party to obtain a direct agreement, in form and substance satisfactory to the Secured Party, from any third party licensor of Intellectual Property of Grantor.

ARTICLE III
REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE DEBTOR

3.1 Representations and Warranties

The Grantor represents and warrants that:

- (a) Grantor's Legal Name: The Grantor's correct legal name is "HVM Canada Inc.";
- (b) Places of Business and Location of Collateral: The Grantor's chief executive office and principal place of business, the location of the office where it keeps its corporate records and records respecting the Accounts, and all locations, warehouses and premises where Collateral is stored or located, are set out in Schedule 3.1(b);

- (c) Ownership: The Grantor is the sole direct and beneficial owner of the Collateral and has good direct and marketable title thereto, free and clear of any liens or encumbrances other than those created by this Agreement or any Permitted Encumbrances and the Grantor has the right and requisite authority to grant the security interest provided herein to the Secured Party and consummate the transactions contemplated hereunder and the Grantor is under no contractual or legal restriction or limitation that would prevent any of the foregoing;
- (d) Intellectual Property: All of the Grantor's Intellectual Property is set out in Schedule 3.1(c);
- (e) Investment Property:
 - (i) Each of the partnership agreements, articles of association or other constating documents, as applicable, of each Issuer which is a partnership or limited liability company and which equity interest in such partnership or limited liability company may form part of the Collateral of the Grantor, expressly states that such equity interest thereof is a "Security" for the purposes of the STA;
 - (ii) All of the Grantor's Instruments and Investment Property (including all Securities, Securities Entitlements and Securities Accounts) is set out in Schedule 3.1(e) to this Agreement;
- (f) Motor Vehicles: A description of all motor vehicles and other "serial number" or vehicle identification goods (i.e., trailers, mobile homes, aircraft, aircraft engines and vessels) presently owned by the Grantor and classified as Equipment is set out in Schedule 3.1(f) to this Agreement;
- (g) No Consumer Goods: The Grantor does not own any Consumer Goods which are material in value or which are material to the business, operations or property of the Grantor; and
- (h) Enforceability: The Grantor has taken all necessary corporate action and steps required to make this Agreement a legal, binding and valid obligation of the

Grantor enforceable against the Grantor in accordance with its terms, and to create a valid and continuing first priority security interest in favour of the Secured Party.

3.2 Covenants

The Grantor covenants as follows:

- (a) Condition of Collateral: The Grantor shall keep the Collateral in good condition and repair, normal wear and tear excepted.
- (b) Rents, Taxes, etc.: The Grantor shall pay all rents, taxes, rates, levies, assessments and other charges lawfully levied, imposed upon or assessed against or in respect of the Collateral, or the income and profits of the Grantor, when the same become payable.
- (c) Accessions/Fixtures: The debtor shall not permit the Collateral to be affixed to real or personal property so as to become a fixture or accession without the prior written consent of the Secured Party.
- (d) Maintenance of Records: The Grantor shall keep and maintain accurate and complete records of the Collateral, including a record of all payments received and all credits granted with respect to the Accounts.
- (e) Right to Inspect the Collateral: The Grantor shall permit a representative of the Secured Party to inspect the Collateral and the operations of the Grantor and for that purpose to enter the Grantor's premises (and any other location where the Collateral may be situated) during reasonable business hours and upon reasonable notice.
- (f) Insurance: The Grantor shall maintain or cause to be maintained with reputable insurers satisfactory to the Secured Party in its sole discretion, acting reasonably, comprehensive general liability insurance and insurance coverage against risk of loss or damage to property of the Grantor up to its full replacement value, and including public liability and damage to property of third parties, business

interruption insurance, fire and extended peril insurance and boiler and machinery insurance, all in such amounts and otherwise covering such risks as are at all times satisfactory to the Secured Party in its sole discretion, acting reasonably, and provide to the Secured Party, on request, evidence of such coverage. Without limiting the generality of the foregoing, the Grantor shall maintain or cause to be maintained in good standing all insurance coverages reasonable and prudent for a business analogous to the business of the Grantor. The Secured Party shall be indicated in all insurance policies, as applicable, as a loss payee and additional insured, as applicable, and all policies shall contain such clauses as the Secured Party requires in its sole discretion, acting reasonably, for the Secured Party's protection.

- (g) Delivery and Execution of Documents, etc.: The Grantor shall from time to time forthwith at the request of the Secured Party execute and deliver all such financing statements, schedules, assignments and documents, and do all such further acts and things as may be reasonably required by the Secured Party to effectively carry out the full intent and meaning of this Agreement or to better evidence and perfect the security interest, assignment and mortgage and charge granted, and after the occurrence of an Event of Default and for so long as such Event of Default is continuing, the Grantor irrevocably constitutes and appoints the Secured Party, or any Receiver appointed by the court or the Secured Party, the true and lawful attorney of the Grantor, with full power of substitution, to do any of the foregoing in the name of the Grantor whenever and wherever the Secured Party or any such Receiver may consider it to be necessary or expedient. Without limiting the generality of the foregoing, the Grantor shall also take all action the Secured Party deems advisable to cause the Secured Party to have Control of any Investment Property included in the Collateral including:

- (i) entering into Control Agreements with the Secured Party, and any applicable Securities Intermediary or Issuer, in form and substance satisfactory to the Secured Party;

- (ii) causing the Investment Property to be transferred to or registered in the name of the Secured Party or its nominee or otherwise as the Secured Party may direct (and causing such transfer and registration to be recorded on the books and records of the Issuer);
 - (iii) endorsing any Certificated Securities to the Secured Party or in blank by an effective endorsement;
 - (iv) delivering the Collateral to the Secured Party or someone on its behalf as the Secured Party may direct; and
 - (v) delivering to the Secured Party any and all consents or other documents or agreements which may be necessary to effect the transfer of any Collateral to the Secured Party or any third party.
- (h) Change of Name and certain other changes: The Grantor shall advise the Secured Party, in reasonable detail, of:
- (i) any change of name or the addition of any new business names or French names, by providing at least ten (10) Business Days prior written notice of the change to the Secured Party;
 - (ii) any merger or amalgamation or intention to merge or amalgamate with any other Person(s) or any arrangement or agreement which, either separately or in combination with any other transactions, arrangements or agreements would have the effect of the Grantor merging, amalgamating or entering into any joint venture or co-tenancy arrangement with any other Person, and the Grantor shall obtain the written prior consent of the Secured Party to do so;
 - (iii) any change in the location of any place of business (including any additional locations) or the chief executive office of the Grantor, or the location of any of the Collateral (including additional locations) by providing at least ten (10) Business Days prior written notice of the change to the Secured Party including a revised Schedule 3.1(b);

- (iv) any additional jurisdiction in which material account debtors of the Grantor are located by providing immediate notice in writing to the Secured Party;
 - (v) any material loss or damage to any of the Collateral by providing immediate notice in writing to the Secured Party;
 - (vi) any acquisition of real property by the Grantor by providing at least ten (10) Business Days prior written notice of the acquisition to the Secured Party;
 - (vii) any change (including additions) to the Intellectual Property listed in Schedule 3.1(d) by providing to be Secured Party at least ten (10) Business Days prior written notice of the change including a revised Schedule 3.1(d);
 - (viii) any change (including additions) to the Securities, Instruments or Investment Property listed in Schedule 3.1(e) by providing to be Secured Party at least ten (10) Business Days prior written notice of the change including a revised Schedule 3.1(e); and
 - (ix) any acquisition of any shares of an unlimited liability company ("ULC Shares") by providing at least ten (10) Business Days prior written notice of the acquisition to the Secured Party.
- (i) Investment Property: The Grantor shall, promptly upon the request of the Secured Party, (i) deliver (or cause to be delivered) to the Secured Party any and all Instruments, Certificated Securities (duly endorsed or with such power of attorney that the Secured Party requests in order to obtain Control over such Certificated Securities), Documents of Title and Chattel Paper included in or relating to the Collateral as the Secured Party may specify in its request, (ii) provide to the Secured Party a complete and accurate copy of each statement, confirmation, notice, proxy statement, proxy and other communication relating to any Investment Property included in the Collateral and received by the Grantor

from any Person (including any Securities Intermediary or broker) obligated with respect to such Investment Property, (iii) deliver to any Securities Intermediary designated by the Secured Party any Certificated Securities included in the Collateral (together with each endorsement or power of attorney that such Securities Intermediary requests to accomplish the assignment or other transfer of such Certificated Security to such Securities Intermediary) and instruct such Securities Intermediary to hold such Certificated Security for the account of the Secured Party and until such delivery, hold such Certificated Security in trust for the Secured Party and cause any security interest in any Intangible or Investment Property included in the Collateral that is not represented by Certificated Security to be registered or otherwise reflected in the name of the Secured Party or any other Person designated by the Secured Party.

- (j) Control Agreements and Control: The Grantor shall not (i) modify, terminate or attempt or agree to otherwise incur any obligation to modify or terminate any Control Agreement or any contract with a Securities Intermediary under which any Securities Account included in the Collateral is established or maintained, (ii) give Control of any Investment Property included in the Collateral to any Person other than the Secured Party, whether by entering into any agreement, instrument or document with a Securities Intermediary for the purpose of giving a Person other than the Secured Party Control of any Investment Property, or (iii) withdraw any Money or other property from any Securities Account included in the Collateral.
- (k) Claims and Assertions: The Grantor shall defend the Collateral against each demand, claim, counterclaim, setoff and defence asserted by any Person (including but not limited to any Account debtor, Issuer or Securities Intermediary) other than the Secured Party, and shall promptly notify the Secured Party of any threat or commencement of any action or other legal proceeding, or entry of any judgment or order of any Governmental Authority, or any assertion by any Person (including, but not limited to, any Account debtor, Issuer,

Securities Intermediary) other than the Secured Party of any demand, claim, counterclaim, setoff or defence, relating to the Collateral.

- (l) Payment of Expenses: The Grantor shall pay to the Secured Party forthwith upon demand all reasonable costs and expenses (including, without limiting the generality of the foregoing, all legal, Receiver's and accounting fees and expenses) incurred by or on behalf of the Secured Party in connection with the preparation, execution and perfection of this Agreement and the carrying out of any of the provisions of this Agreement, including protecting and preserving the security interest, assignment and mortgage and charge granted and enforcing by legal process or otherwise the remedies provided in this Agreement; and all such costs and expenses shall be added to and form part of the Obligations secured under this Agreement.

ARTICLE IV DEALING WITH COLLATERAL

4.1 Dealing with Collateral by the Grantor

The Grantor shall not sell, lease or otherwise dispose of any of the Collateral without the prior written consent of the Secured Party, except that the Grantor may, unless an Event of Default has occurred and is continuing, deal with its Money or sell items of Inventory and obsolete Equipment, in each case in the ordinary course of its business so that the purchaser thereof takes title thereto free and clear of the security interest, assignment and mortgage and charge granted hereby. All Proceeds of any such sale will continue to be subject to the security interest, assignment and mortgage and charge granted hereby and shall be received by the Grantor as trustee for the Secured Party and must be held separate and apart from other assets of the Grantor and must be paid over to the Secured Party upon request.

4.2 Permitted Encumbrances

The Grantor will not, without the prior written consent of the Secured Party, create, incur, assume, or suffer to exist any mortgage, deed of trust, pledge, lien, security interest, assignment, charge or encumbrance (including any conditional sale, or other title retention agreement or

finance lease) of any nature, upon or with respect to any of its properties, now owned or hereafter acquired, other than:

- (a) undetermined or inchoate liens, rights of distress and charges incidental to current operations which have not at such time been filed or exercised and of which the Secured Party has not been given notice, or which relate to obligations not due or payable or, if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person;
- (b) the right reserved to, or vested in, any Governmental Authority by the terms of any lease, licence, franchise, grant or permit acquired by that Person, or by any statutory provision, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;
- (c) liens resulting from the deposit of cash or securities in connection with contracts, tenders or expropriation proceedings, or to secure workers' compensation, employment insurance, surety or appeal bonds, costs of litigation when required by law, liens and claims incidental to current construction, mechanics', warehousemen's, carriers' and other similar liens, and public, statutory and other like obligations incurred in the ordinary course of business;
- (d) liens given to a public utility or any Governmental Authority when required by such utility or Governmental Authority in connection with the operations of that Person in the ordinary course of its business;
- (e) liens for taxes, rates, assessments and/or other charges or levies made by any Governmental Authority not yet subject to penalties for non-payment or which are being contested in good faith and by appropriate proceedings, but only if and to the extent such liens do not result in an Event of Default and for which adequate reserves in accordance with GAAP have been recorded on the consolidated balance sheet of the Grantor;

- (f) the liens created by a judgment of a court of competent jurisdiction, as long as the judgment is being contested diligently and in good faith by appropriate proceedings by that Person and does not result in an Event of Default and for which adequate reserves in accordance with GAAP have been recorded on the consolidated balance sheet of the Grantor;
- (g) operating leases of vehicles or equipment which are entered into in the ordinary course of business;
- (h) liens securing purchase money security obligations subject to a maximum amount of indebtedness being secured thereby of no more than \$500,000 in the aggregate;
- (i) encumbrances in favour of the Secured Party;
- (j) liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of combination of accounts or similar rights in the ordinary course of conducting day-to-day banking business in relation to deposit accounts or other funds maintained with a creditor depository institution, provided that such liens (A) do not relate to any deposit account that is a dedicated cash collateral account which is subject to restrictions against access by the depositor or account holder, (B) do not relate to any deposit account intended by the depositor or account holder to provide collateral to the depository institution, and (C) are not intended directly or indirectly to secure the payment or performance of debt or any other obligation; and
- (k) other liens or encumbrances expressly consented to in writing by the Secured Party;

(the encumbrances described in Sections 4.2(a) – 4.2(k) above are collectively referred to as “**Permitted Encumbrances**”). The Grantor will not, without the prior written consent of the Secured Party, sign or file under the PPSA or similar registry system of any jurisdiction a financing statement which names the Grantor as a debtor, other than in favour of the Secured Party, or sign any security agreement authorizing any secured party under the security agreement to file such a financing statement other than in favour of the Secured Party.

4.3 Unlimited Liability Shares

Notwithstanding any other provision of this Agreement, to the extent that any of the Collateral constitutes ULC Shares, the Secured Party shall not, except as a result of the exercise of the Secured Party's rights, powers and remedies as provided in the last sentence of this Section 4.3, become or be deemed to become members or shareholders, or obtain or have the right to obtain any other indicia of ownership of an unlimited liability company, and no provision in this Agreement (except this Section 4.3) or actions taken by the Secured Party or by the Grantor without the express written consent of the Secured Party pursuant to this Agreement which might provide or be deemed to provide otherwise, in whole or in part, shall apply in respect of unlimited liability shares. Without limiting the generality of the foregoing and notwithstanding anything to the contrary in this Agreement, but except as otherwise provided in the last sentence of this Section 4.3, the Secured Party shall not, and no provision of this Agreement or actions taken by the Secured Party or by the Grantor pursuant to this Agreement shall apply or be deemed to apply so as to cause the Secured Party to, be or be deemed to be or be entitled to:

- (a) be registered as shareholder or member, or apply to be registered as shareholder or member, of an unlimited liability company;
- (b) accept or request stock powers of attorney in respect of unlimited liability shares;
- (c) request or assent to a notation being entered in its favour in the share register in respect of unlimited liability shares;
- (d) hold itself out as shareholder or member of an unlimited liability company; or
- (e) act or purport to act as a member of an unlimited liability company, or obtain exercise or attempt to exercise any rights of a shareholder or member including, without limitation, the right to attend a meeting of, or to vote the shares of, an unlimited liability company or to be entitled to receive or receive any distribution in respect of unlimited liability shares.

The foregoing limitations shall not restrict the Secured Party from exercising the rights, powers and remedies which it is entitled to exercise hereunder in respect of any of the Collateral constituting ULC Shares at any time that the Secured Party shall be entitled to realize on all or

any portion of the Collateral pursuant to this Agreement (it being agreed that no such exercise shall occur, or be deemed to have occurred, prior to the provision to the Grantor by the Secured Party of prior written notice of the Secured Party's intention to exercise such rights, powers and remedies).

4.4 Rights and Duties of the Secured Party

- (a) The Secured Party may perform any of its rights and duties under this Agreement by or through agents and is entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to its rights and duties under this Agreement.
- (b) Should the Secured Party or any agent or nominee on its behalf take possession or delivery of all or any part of the Collateral pursuant to this Agreement, the PPSA or otherwise at law, it is only bound to exercise the same degree of care as it would exercise with respect to similar property of its own of similar value held in the same place. The Secured Party and any nominee on its behalf will be deemed to have exercised reasonable care with respect to the custody and preservation of the Collateral if it takes such action for that purpose as the Grantor reasonably requests in writing, but failure of the Secured Party or its nominee to comply with any such request will not of itself be deemed a failure to exercise reasonable care.
- (c) The Secured Party will not be responsible for any loss occasioned by its exercise of any of such rights or by failure to exercise the same within the time limited for the exercise of such rights, except where such loss results from the gross negligence or wilful misconduct of the Secured Party.
- (d) There is no obligation on the Secured Party to keep fungible Collateral in their possession identifiable.
- (e) The Secured Party has no obligation to protect or preserve any Collateral from depreciating in value or becoming worthless and is released from all responsibility for any loss of value, whether such Collateral is in the possession

of, is a Security Entitlement of, or is subject to the Control of, the Secured Party, a Securities Intermediary, the Grantor or any other Person.

- (f) The Secured Party may, upon the occurrence and during the continuance of an Event of Default, sell, transfer, use or otherwise deal with the Collateral, on such conditions and in such manner as the Secured Party in its sole discretion may determine.

4.5 Registration of Securities

The Secured Party may have any Investment Property registered in its name or in the name of its nominee and will be entitled but not bound or required to exercise any of the rights that any holder of such Investment Property may at any time have, provided that until an Event of Default has occurred and is continuing, the Grantor will be entitled to exercise, in a manner not prejudicial to the interests of the Secured Party or which would violate or be inconsistent with this Agreement, all voting power from time to time exercisable in respect of the Investment Property (excluding, for greater certainty, any voting power relating to any ULC Shares). The Grantor must from time to time forthwith upon the request of the Secured Party deliver to the Secured Party the Investment Property requested by the Secured Party duly endorsed for transfer to the Secured Party or its nominee to be held by the Secured Party subject to the terms of this Agreement.

4.6 Notification of Account Grantors

On or after the occurrence of any Event of Default that is continuing, the Secured Party may give notice of this Agreement and the security interest and assignment granted hereby to any account debtors of the Grantor or to any other Person liable to the Grantor and may give notice to any such account debtors or other Person to make all further payments to the Secured Party, and, on or after the occurrence of any Event of Default that is continuing, any payment or other proceeds of Collateral received by the Grantor from account debtors or from any other Person liable to the Grantor whether before or after any notice is given by the Secured Party must be held by the Grantor in trust for the Secured Party and paid over to the Secured Party on request.

4.7 Application of Funds

All Money collected or received by the Secured Party in respect of the Collateral, on or after the occurrence of any Event of Default that is continuing, may be applied on account of such parts of the Obligations as the Secured Party in its sole discretion determines, or may be held unappropriated in a collateral account, or in the discretion of the Secured Party may be released to the Grantor, all without prejudice to the Secured Party's rights against the Grantor.

**ARTICLE V
ENFORCEMENT**

5.1 Event of Default

Each and every one of the following events constitutes an Event of Default:

- (a) if the Grantor defaults in payment or performance of any of the Obligations;
- (b) any representation or warranty made by the Grantor in this Agreement shall prove to have been incorrect in any material respect when made or deemed to be made;
- (c) if the Grantor shall fail to perform, observe or comply with any of the covenants contained in this Agreement;
- (d) if any proceeding in respect of the Grantor or all or part of the assets, undertaking or property of the Grantor is commenced under the BIA or CCAA, or if any order is sought by any Person or any resolution passed for the bankruptcy, restructuring, liquidation or sale outside of the ordinary course of business or winding-up of the Grantor or all or any part of its assets, undertaking or property, or if any appointment or proceeding for the appointment (whether by court or private appointment) of a Receiver over or in respect of the Grantor or all or any part of the assets, undertaking or property of the Grantor is made or commenced;
- (e) if the Grantor ceases or threatens to cease to carry on its business, commits any act of bankruptcy, becomes insolvent, proposes a compromise or arrangement to its creditors or makes an unauthorized sale in bulk of its assets or transfers or in

any way parts with possession of all or a substantial part of the Collateral to any Person; or

- (f) if in the reasonable opinion of the Secured Party, acting in good faith, there has occurred a material adverse change in the financial or any other condition of the Grantor which is likely to result in the impairment of the Grantor's ability to pay or perform the Obligations or of the value of the Collateral or the Secured Party's ability to realize thereupon.

5.2 Remedies

- (a) On or after the occurrence of any Event of Default that is continuing,
 - (i) any or all of the Obligations will at the option of the Secured Party become immediately due and payable or be subject to immediate performance, as the case may be, without presentment, protest or notice of dishonour, all of which are expressly waived;
 - (ii) the obligation, if any, of the Secured Party to extend further credit to the Grantor will cease;
 - (iii) any or all security granted hereby will, at the option of the Secured Party, become immediately enforceable; and
 - (iv) in addition to any right or remedy provided by law, the Secured Party will have the rights and remedies set out below, all of which rights and remedies will be enforceable and may be exercised from time to time separately or in combination and are not in substitution for any other rights, powers and remedies the Secured Party may have at law or otherwise:
 - (A) the Secured Party may by appointment in writing appoint a Receiver of the Collateral (which term when used in this Section 5.2 will include the whole or any part of the Collateral) and may remove or replace such Receiver from time to time or may institute

proceedings in any court of competent jurisdiction for the appointment of a Receiver of the Collateral; and the term "Secured Party" when used in this Section 5.2 will include any Receiver so appointed and the agents, officers and employees of such Receiver; and the Secured Party will not be in any way responsible for any misconduct or negligence of any such Receiver;

- (B) the Secured Party may take possession of the Collateral and require the Grantor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at such place or places as may be specified by the Secured Party;
- (C) the Secured Party may take such steps as it considers desirable to maintain, preserve or protect the Collateral;
- (D) the Secured Party may transfer any of the Collateral into the name of the Secured Party (or such other Person as the Secured Party may designate), and may notify each Person (including any account debtor or Securities Intermediary) obligated with respect to any Collateral of the interest of the Secured Party, to direct payments with respect thereto directly and solely to the Secured Party, take control of all Proceeds thereof and deliver any notice of exclusive Control pursuant to any Control Agreement(s);
- (E) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Grantor;
- (F) the Secured Party may enforce any rights of the Grantor in respect of the Collateral by any manner permitted by law;
- (G) the Secured Party may sell, lease or otherwise dispose of the Collateral at public auction, by private tender, by private sale or otherwise either for cash or upon credit upon such terms and

conditions as the Secured Party may determine and without notice to the Grantor unless, in each case, otherwise required by law;

- (H) the Secured Party may accept the Collateral in satisfaction of the Obligations upon notice to the Grantor of its intention to do so in the manner required by law;
- (I) the Secured Party may, for any purpose specified in this Agreement, borrow money on the security of the Collateral in priority to the security interest, assignment and mortgage and charge granted by this Agreement;
- (J) the Secured Party may enter upon, occupy and use all or any of the premises, buildings and plants occupied by the Grantor and use all or any of the Equipment and other personal property of the Grantor for such time as the Secured Party requires to facilitate the realization of the Collateral, free of charge, and the Secured Party will not be liable to the Grantor in so doing except for any loss arising from the gross negligence or wilful misconduct of the Secured Party or in respect of any rent, charges, depreciation or damages in connection with such actions;
- (K) the Secured Party may charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the exercise of the rights and remedies of the Secured Party under this Agreement, including, reasonable legal, Receiver and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith, including interest thereon at such rate as the Secured Party deems reasonable, shall be added to and form part of the Obligations secured; and
- (L) the Secured Party may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may

exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations secured.

- (b) The Secured Party may, without prejudice to the liability of the Grantor to the Secured Party or the Secured Party's rights under this Agreement:
 - (i) grant extensions of time;
 - (ii) take and perfect or abstain from taking and perfecting security;
 - (iii) give up securities;
 - (iv) accept compositions or compromises;
 - (v) grant releases and discharges;
 - (vi) release any part of the Collateral; or
 - (vii) otherwise deal with the Grantor, debtors of the Grantor, sureties and others and with the Collateral and other security as the Secured Party sees fit.
- (c) The Secured Party will not be liable or responsible for any failure to seize, collect, realize, or obtain payment with respect to the Collateral and is not bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment with respect to the Collateral or for the purpose of preserving any rights of the Secured Party, the Grantor or any other Person, in respect of the Collateral.
- (d) The Secured Party may apply any proceeds of realization of the Collateral to payment of expenses in connection with the preservation and realization of the Collateral as above described and the Secured Party may apply any balance of such proceeds to payment of the Obligations in such order as the Secured Party sees fit. If there is any surplus remaining, the Secured Party may elect, in its sole discretion, to (i) pay the surplus into a court of competent jurisdiction, or (ii) pay

it to any Person having a claim thereto in priority to the Grantor of whom the Secured Party has knowledge and any balance remaining must be paid to the Grantor. If the disposition of the Collateral fails to satisfy the Obligations secured by this Agreement and expenses relating thereto, the Grantor shall be liable to pay any deficiency to the Secured Party forthwith on demand.

ARTICLE VI GENERAL

6.1 Costs and Indemnification

The Grantor shall pay all costs on demand (including fees and disbursements of legal counsel, accounting advisors, Receiver and other advisors, together with any interest thereon that may accrue) incurred by the Secured Party in connection with (a) the enforcement of this Agreement; (b) the Secured Party obtaining and maintaining delivery, possession, Control, perfection and priority with respect to the Collateral; and (c) the realization, disposition, retention, preservation or collection of the Collateral or enforcement of the rights and remedies of the Secured Party in respect of the Grantor or the Collateral under this Agreement, the PPSA, the STA or otherwise at law. All such costs shall, from the date of such costs being incurred by the Secured Party through to the date such costs are repaid by the Grantor, be deemed advanced to the Grantor and shall form part of the Obligations secured.

In addition, the Grantor irrevocably and unconditionally agrees to indemnify and save harmless the Secured Party from all costs (including fees and disbursements of legal counsel, accounting advisors, Receiver and other advisors, together with any interest thereon that may accrue) incurred in connection with any enforcement of rights and remedies of the Secured Party in respect of the Grantor or the Collateral under this Agreement, the PPSA, the STA or otherwise at law. This indemnity is independent of and in addition to any right the Secured Party may have to seek recovery of costs in any litigation that may result in respect of this Agreement, and shall form part of the Obligations secured.

6.2 Notices

All notices, requests, demands or other communications required or permitted to be given by one party to another under this Agreement (each, a "Notice") shall be given in writing and delivered by personal delivery or delivery by recognized national courier, sent by facsimile transmission or delivered by registered mail, postage prepaid, or by electronic communication (including e-mail) addressed as follows:

- (a) If to Secured Party or the Grantor

c/o HMTV Canada Inc.
Unit 110- 5401 Eglinton Avenue West
Etobicoke, Ontario
M9C 5K6

Attention: Harvey Berkley

Facsimile Number: 416-620-5064

E-Mail: hberkley@hmv.ca

With a copy to:

Hilco UK Limited
80 New Bond Street
London W1S 1SB
United Kingdom

Attention: Matt Holt

Facsimile Number: +44 (0)20 7317 2050

E-Mail: matthew.holt@hilcocapital.com

or at such other address or facsimile number or e-mail address at which the addressee may from time to time notify the addressor. Any Notice delivered by personal delivery or by courier to the party to whom it is addressed as provided above shall be deemed to have been given and received on the day it is so delivered at such address. If such day is not a Business Day, or if the

Notice is received after 4:00 p.m. (addressee's local time), then the Notice shall be deemed to have been given and received on the next Business Day. Any Notice sent by prepaid registered mail shall be deemed to have been given and received on the second Business Day following the date of its mailing. Any Notice transmitted by facsimile shall be deemed to have been given and received on the day in which transmission is confirmed. If such day is not a Business Day or if the facsimile transmission is received after 4:00 p.m. (addressee's local time), then the Notice shall be deemed to have been given and received on the first Business Day after its transmission.

Notices sent to an e-mail address shall be deemed to be received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such Notice is not sent on a Business Day or is sent after 4:00 p.m. (addressee's local time) on a Business Day, such Notice shall be deemed to have been given and received on the first Business Day after its transmission. Notices posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address (as described in the preceding sentence) of notification that such method of delivery of a Notice is available and identifying the website address for such Notice.

6.3 Waiver

Except as otherwise expressly set out herein, no waiver of any provision of this Agreement shall be binding unless it is in writing. No indulgence, forbearance or other accommodation by a party shall constitute a waiver of such party's right to insist on performance in full and in a timely manner of all covenants in this Agreement or in any document delivered pursuant to this Agreement. Waiver of any provision shall not be deemed to waive the same provision thereafter, or any other provision of this Agreement at any time.

6.4 Severability

If any provision of this Agreement or portion thereof or the application thereof to any Person or circumstance shall to any extent be illegal, invalid or unenforceable: (a) the remainder of this Agreement or the application of such provision or portion thereof to any other Person or circumstance shall not be affected thereby; and (b) the parties will negotiate in good faith to

amend this Agreement to implement the intentions set forth in this Agreement. Each provision of this Agreement shall be legal, valid and enforceable to the fullest extent permitted by law.

6.5 Assignment and Enurement

Neither this Agreement nor any benefits or burdens under this Agreement shall be assignable by the Grantor, without the prior written consent of the Secured Party, which consent may be unreasonably withheld or delayed. Subject to the foregoing, this Agreement shall enure to the benefit of and be binding upon the parties and their respective successors (including any successor by reason of amalgamation or merger of any party) and permitted assigns hereunder.

6.6 Additional Continuing Security

This Agreement and the security interest, assignment and mortgage and charge granted are in addition to and not in substitution for any other security now or hereafter held by the Secured Party and this Agreement is a continuing agreement and security that will remain in full force and effect until discharged by the Secured Party.

6.7 Further Assurances

The parties shall do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each party shall provide such further documents or instruments required by the other party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions.

6.8 Power of Attorney

On or after the occurrence of any Event of Default that is continuing, the Grantor irrevocably constitutes and appoints the Secured Party the true and lawful attorney of the Grantor, with full power of substitution, to do, make and execute all such statements, assignments, documents, acts, matters or things with the right to use the name of the Grantor whenever and wherever the officer may deem necessary or expedient and from time to time to exercise all rights and powers and to perform all acts of ownership in respect to the Collateral in accordance with this Agreement.

6.9 Set Off

Without in any way limiting any other rights or remedies available to the Secured Party, the Secured Party shall have the right (but shall not be obligated), at any time and from time to time on or after the occurrence of any Event of Default and without notice to the Grantor (such notice being expressly waived by the Grantor), to set off against the Obligations or any of the deposits (general or special) or Money then held by the Secured Party or any other indebtedness owing by the Secured Party to, or held by the Secured Party for the credit of, the Grantor, regardless of the currency in which such indebtedness is denominated and notwithstanding that such indebtedness would not then be due but for the occurrence of an Event of Default. For the avoidance of doubt, any set off rights available to the Secured Party prior to the occurrence of an Event of Default shall not be deemed to be waived by reason of the grant to the Secured Party of set off rights after the occurrence of an Event of Default pursuant to the previous sentence of this Section 6.9.

6.10 Discharge

The Grantor will not be discharged from any of the Obligations or from this Agreement except by a release or discharge signed in writing by the Secured Party. The Secured Party shall, upon the indefeasible payment and performance of all Obligations in full, execute such releases and discharges as the Grantor may reasonably require, all at the request and sole cost and expense of the Grantor.

6.11 Languages

The parties confirm that it is their wish that this Agreement, as well as any other documents relating to this Agreement, including Notices, Schedules and authorizations, have been and shall be drawn up in the English language only. Les parties aux présentes confirment leur volonté que cette convention, de même que tous les documents, y compris tous avis, annexes et autorisations s'y rattachant, soient rédigés en anglais seulement.

6.12 Execution by Electronic Transmission

The signature of any of the parties hereto may be evidenced by a facsimile, scanned email or internet transmission copy of this Agreement bearing such signature.

6.13 Counterparts

This Agreement may be signed in one or more counterparts, each of which so signed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument. Notwithstanding the date of execution or transmission of any counterpart, each counterpart shall be deemed to have the effective date first written above.

6.14 Executed Copy

The Grantor acknowledges receipt of a fully executed copy of this Agreement.

[SIGNATURE PAGES TO IMMEDIATELY FOLLOW]

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the date first written above.

HMV CANADA INC.

Per: Harvey Berkley
Name: Harvey Berkley
Title: Chief Financial Officer

RETAIL AGENTS 230 LIMITED

Per: _____
Name: Paul McGowan
Title: Director

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IN WITNESS WHEREOF the parties have duly executed this Agreement as of the date first written above.

HMV CANADA INC.

Per: _____

Name: Harvey Berkley

Title: Chief Financial Officer

RETAIL AGENTS 230 LIMITED

Per: _____

Name: Paul McGowan

Title: Director

SCHEDULE 3.1(b)

PLACES OF BUSINESS AND LOCATIONS OF RECORDS OF COLLATERAL

Business Records and collateral: Unit 110- 5401 Eglinton Avenue West, Etobicoke, ON M9C 5K6

Inventory is located at various retail locations across Canada from time to time

SCHEDULE 3.1(d)
INTELLECTUAL PROPERTY

Intellectual Property Licensed from HMV IP Holdings ULC pursuant to the Sub-Sub-License Agreement made between HMV IP Holdings ULC and the Licensee dated June 26, 2011 (as from time to time amended, amended and restated, supplemented or otherwise modified, refinanced or replaced).

SCHEDULE 3.1(e)
INVESTMENTS AND INVESTMENT PROPERTY

Nil

SCHEDULE 3.1(f)
MOTOR VEHICLES

Nil

20703878.1

EXHIBIT

P

DEED OF HYPOTHEC

BETWEEN: **RETAIL AGENTS 230 LIMITED**, a legal person established under the laws of the United Kingdom, with its registered office at 7 River Court, Brighthouse Business Village, Middlesbrough,, United Kingdom, TS2 1RT

(hereinafter called the "**Creditor**"):

AND: **HMV CANADA INC.**, a legal person established under the laws of Ontario, Canada, with its registered office at 5401 Eglinton Avenue West, Suite 110, Etobicoke, Ontario M9C 5K6 Canada,

(hereinafter called the "**Grantor**")

WHEREAS as continuing collateral security for the due payment and performance of the Indebtedness (as hereinafter defined), the Grantor has agreed to hypothecate all of its present and future movable property;

NOW, THEREFORE, THE PARTIES HERETO HAVE AGREED AS FOLLOWS:

1. INTERPRETATION

1.1. Definitions

Capitalized terms used herein shall have the following meanings unless there is something in the subject matter or context inconsistent therewith:

"**Applicable Law**" means, with respect to any Person, any federal, provincial, state, local, municipal or foreign (including the European Union) law, statute, treaty, rule or regulation or final, non-appealable determination of any arbitrator or any court or other Governmental Authority, in each case having legally binding effect upon and applicable to such Person or to any of its property.

"**Creditor**" means the Creditor defined above and its successors and assigns.

"**Charged Property**" means the universality of all of the movable property, rights and assets of the Grantor, present and future, corporeal and incorporeal, of whatsoever nature and wheresoever situated, including, without limitation:

- (a) all present and future:
 - (i) Claims;
 - (ii) Contractual Rights;
 - (iii) Equipment;
 - (iv) Hypothecated Securities;
 - (v) Insurance Policies;
 - (vi) Intellectual Property;
 - (vii) Inventory;
 - (viii) Proceeds;
 - (ix) Records; and

(x) Title Documents;

- (b) all renewals, substitutions, improvements, accessions, attachments, additions, replacements and proceeds to, of or from each of the foregoing.

As used in this Hypothec, the term "Charged Property" shall mean all or, where the context permits or requires, any portion of the above or any interest therein.

"Claims" means all claims of the Grantor, including, without limitation, all cash, cash equivalents, bank accounts, accounts receivable, claims, debts, accounts and monies of every nature which are now or which may at anytime hereafter be due, owing or accruing to or owned by the Grantor, and also all securities, bills, notes, negotiable instruments and other documents now held or owned or which may be hereafter taken, held or owned by the Grantor or anyone on behalf of the Grantor in respect of the foregoing or any part thereof.

"Contractual Rights" means all present and future rights of the Grantor arising under or in connection with any agreements (such as, by way of example only, construction contracts, architects' agreements, engineers' contracts, utility contracts, maintenance agreements, franchise agreements and service contracts), permits, licenses, certificates and entitlements in any way relating to the development, construction, use, occupancy, operation, maintenance, enjoyment, acquisition or ownership of the Charged Property or any part thereof.

"Equipment" means all present and future equipment and machinery of the Grantor of whatever kind and wherever situated, including, without limitation, all machinery, equipment, tools, apparatus, furniture, fixtures and vehicles of whatsoever nature or kind.

"Event of Default" means any of the following events:

- (a) failure by the Grantor to pay when due or to comply with any of the Indebtedness;
- (b) failure by any third party to pay when due or to comply with any of the Indebtedness toward the Creditor pursuant to the terms of any contract or this Deed;
- (c) failure by the Grantor to comply with the obligations imposed on it by law with respect to the Charged Property;
- (d) failure by the Grantor to pay any amount due or to comply with any of its obligations with respect to any other deed granting rights on one or several of the Charged Properties or pertaining to them;
- (e) should the Grantor cease to operate its enterprise or substantially change its nature;
- (f) should the Grantor become or acknowledge being insolvent, become bankrupt, or generally take measures to arrive at a compromise, an arrangement or an agreement with its creditors or to arrive at the liquidation of its assets or its bankruptcy;

- (g) should proceedings be instituted against the Grantor in order to liquidate its assets or declare it bankrupt, which are not diligently contested by the Grantor and are not dismissed or cancelled within 21 days from the day on which they are instituted;
- (h) should a prior notice be given by a creditor holding a prior claim or by a hypothecary creditor of its intention to exercise its prior claim or hypothecary right or any other security, or should such right or security be exercised or should a secured creditor take possession of or appoint a receiver with respect to any part of the Charged Property;
- (i) should a seizure be brought against any Charged Property and should it not be quashed within 10 days thereafter;
- (j) should the value of Hypothecated Securities hypothecated pursuant to this Deed decrease to a level which the Creditor deems critical considering the security they represent, or which would justify, in the opinion of the Creditor, an immediate liquidation;
- (k) should any representations, warranties or affirmations made by the Grantor in or in relation to this Deed or any other document relating to the Indebtedness be inaccurate; or
- (l) should a person other than the Grantor demand or claim from the Creditor payment in full or in part of amounts that the Creditor may remit to the Grantor pursuant to any document with respect to the Indebtedness.

“Governmental Authority” means any federal, provincial, state, regional, municipal or foreign (including the European Union) court, government or governmental agency, board, tribunal, authority, instrumentality or regulatory body and includes Her Majesty the Queen in right of Canada or any Province or Territory thereof.

“Grantor” means the Grantor defined above and its successors and permitted assigns, including, without limitation, any Person resulting from the amalgamation or continuation of the Grantor.

“Hypothec” means this deed and all amendments, replacements, restatements, supplements and substitutions thereto.

“Hypothecated Securities” means all securities, security entitlements, financial assets, investment property, investment certificates, futures contracts, shares, options, warrants, interests, participations, units or other equivalents of, in or issued by a trust, legal person, partnership, limited partnership or other entity, whether voting or non-voting or participating or non-participating, now or hereafter owned by the Grantor. For greater certainty, the Grantor hereby acknowledges that all present and future securities, security entitlements and financial assets described as being hypothecated hereunder shall include all securities, security entitlements and financial assets as such terms are used in the *Act Respecting the transfer of Securities and the Establishment of Security Entitlements* (Québec).

“Indebtedness” means any and all obligations, debts and liabilities of the Grantor to the Creditor, present or future, direct or indirect, absolute or contingent, matured or not, all interest,

commissions, legal (including legal fees on a full indemnity basis) and other costs, charges and expenses, whenever and however incurred, in any currency at any time owing by the Grantor to the Creditor or remaining unpaid by the Grantor to the Creditor, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether arising from dealings between the Creditor and the Grantor or from other dealings or proceedings by which the Creditor may be or become in any manner whatsoever a creditor of the Grantor and wherever incurred and whether incurred by the Grantor alone or with another or others and whether as principal, surety or guarantor, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any proceeding with respect to the Grantor under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) or any similar statute in any jurisdiction (including, the payment of interest and other amounts which would accrue and become due but for the commencement of such proceeding, whether or not such amounts are allowed or allowable in whole or in part in such proceeding).

"Insurance Policies" means all present and future insurance policies maintained by the Grantor in respect of the Charged Property (or a portion thereof) or the life of any individual and all insurance proceeds or indemnities in respect of the Charged Property or the life of any individual payable thereunder from time to time.

"Intellectual Property" means all of the right, title and interest of the Grantor in the intellectual property and industrial property now or hereafter owned or used by the Grantor, including, without limitation, all patents, trademarks, industrial designs (as well as applications for patents, trademarks or industrial designs), copyrights, inventions, trade secrets, know-how, plant breeder's rights, topography of integrated circuits, rights related to the Grantor's clientele and good will, corporate and other business names, as well as similar rights, now or hereafter owned, used or held by the Grantor.

"Inventory" means all of the inventory of the Grantor, both present and future, including, without limitation, all raw materials, work in progress or materials used or consumed in the business of the Grantor and all other goods and all products and by-products thereof or derived therefrom, manufactured, produced or purchased for sale, lease or resale by the Grantor, or procured for such manufactured products, sale, lease or resale and all goods, wares and merchandises used or procured for the packing or shipping of any of the foregoing, and all the goods, wares and merchandises, products and by-products thereof or derived therefrom, so manufactured, produced or purchased for sale, lease or resale.

"Permitted Charges" means, collectively, the following:

- (a) undetermined or inchoate liens, rights of distress and charges incidental to current operations which have not at such time been filed or exercised and of which the Creditor has not been given notice, or which relate to obligations not due or payable or, if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person;
- (b) the right reserved to, or vested in, any Governmental Authority by the terms of any lease, licence, franchise, grant or permit acquired by that Person, or by any statutory provision, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;

- (c) liens resulting from the deposit of cash or securities in connection with contracts, tenders or expropriation proceedings, or to secure workers' compensation, employment insurance, surety or appeal bonds, costs of litigation when required by law, liens and claims incidental to current construction, mechanics', warehousemen's, carriers' and other similar liens, and public, statutory and other like obligations incurred in the ordinary course of business;
- (d) liens given to a public utility or any Governmental Authority when required by such utility or Governmental Authority in connection with the operations of that Person in the ordinary course of its business;
- (e) liens for taxes, rates, assessments and/or other charges or levies made by any Governmental Authority not yet subject to penalties for non-payment or which are being contested in good faith and by appropriate proceedings, but only if and to the extent such liens do not result in an Event of Default and for which adequate reserves in accordance with GAAP have been recorded on the consolidated balance sheet of the Grantor;
- (f) the liens created by a judgment of a court of competent jurisdiction, as long as the judgment is being contested diligently and in good faith by appropriate proceedings by that Person and does not result in an Event of Default and for which adequate reserves in accordance with GAAP have been recorded on the consolidated balance sheet of the Grantor;
- (g) operating leases of vehicles or equipment which are entered into in the ordinary course of business;
- (h) liens securing purchase money security obligations;
- (i) liens or encumbrances in favour of the Creditor or any other affiliates of the Grantor;
- (j) liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of combination of accounts or similar rights in the ordinary course of conducting day-to-day banking business in relation to deposit accounts or other funds maintained with a creditor depository institution, provided that such liens (A) do not relate to any deposit account that is a dedicated cash collateral account which is subject to restrictions against access by the depositor or account holder, (B) do not relate to any deposit account intended by the depositor or account holder to provide collateral to the depository institution, and (C) are not intended directly or indirectly to secure the payment or performance of Indebtedness or any other obligation; and
- (k) other liens or encumbrances expressly consented to in writing by the Creditor, including those in favour of Bank of Montreal and any replacement lenders.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, trustee, limited liability company, unincorporated organization, government or any agency or political subdivision thereof, or any other form of entity.

"Proceeds" means identifiable or traceable movable property, present or future, in any form derived directly or indirectly from any dealing with the Charged Property or the proceeds therefrom including any payment or right to a payment or insurance representing an indemnity or compensation for loss of or damage to the Charged Property or any part thereof or proceeds therefrom.

"Records" means all present and future deeds, documents, books, manuals, papers, letters, invoices, writings and data (electronic or otherwise), access codes, recordings, evidencing or relating to the Charged Property or any part thereof including all copies and representations of the Intellectual Property in any form now known or in the future developed or discovered including, without limitation, those on paper, magnetic and optical media, and all working papers, notes, charges, drawings, materials and diagrams created in the process of developing the Intellectual Property.

"Special Property" means: (a) any contract, instrument, permit, lease or license or other document as to which and for so long as the creation of a hypothec or other security interest would constitute a violation of a valid and enforceable restriction in favour of a third party on such creation unless and until any required consents were obtained; (b) any contract, instrument, permit, lease, license or other documents as to which and for so long as the creation of a hypothec or other security interest would give any other party to such contract, instrument, permit, lease, license or other document the right to terminate its obligations thereunder; and (c) any contract, instrument, permit, lease or license or other document held by the Grantor to the extent that and for so long as any Applicable Law applicable thereto prohibits the creation of a hypothec or other security interest therein.

"Title Documents" means all present and future warehouse receipts and similar documents of title relating to Inventory.

1.2. Severability

If any one or more of the provisions contained in this Hypothec shall for any reason be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall, at the option of the Creditor, be severable from and shall not affect any other provision of this Hypothec, but this Hypothec shall be construed as if such invalid, illegal or unenforceable provision had never been contained in this Hypothec.

1.3. Interpretation and Headings

The Grantor acknowledges that this Hypothec is the result of negotiations between the parties and shall not be construed in favour of or against any party by reason of the extent to which any party or its legal counsel participated in its preparation or negotiation. The words "hereto", "herein", "hereof", "hereby", "hereunder" and similar expressions refer to the whole of this Hypothec including, without limitation, these additional provisions, and not to any particular Section or other portion thereof or hereof and extend to and include any and every document supplemental or ancillary hereto or in implementation hereof. Words in the singular include the plural and words in the plural include the singular. Words importing the masculine gender include the feminine and neuter genders where the context so requires. Words importing the neuter gender

include the masculine and feminine genders where the context so requires. The headings do not form part of this Hypothec and have been inserted for convenience of reference only. Any reference to "including" shall mean "including without limitation" whether or not expressly provided.

1.4. Effective Date

This Hypothec shall take effect upon execution of this Hypothec by the parties hereto notwithstanding that all or any part of the principal amount secured by this Hypothec has not been advanced.

1.5. Currency

Unless otherwise specified in this Hypothec, all dollar references in this Hypothec are expressed in Canadian dollars.

2. CHARGE

2.1. Hypothec

2.1.1 To secure the payment and performance of the Indebtedness and of the expenses and charges incurred by the Creditor to obtain payment and performance of the Indebtedness or to conserve the Charged Property, the Grantor hereby hypothecates the Charged Property in favour of the Creditor for the principal sum of TWENTY MILLION DOLLARS (\$20,000,000), together with interest thereon from the date hereof at the rate of twenty-five percent (25%) per annum, calculated semi-annually and not in advance.

2.1.2 The hypothec granted hereunder does not constitute and shall not constitute nor be construed as a floating hypothec within the meaning of Article 2715 of the Civil Code of Quebec.

2.1.3 **Special Property.** To the extent that the hypothecation of Special Property which may form part of the Charged Property would constitute pursuant to the terms of the Special Property or Applicable Law, a breach thereof or permit the acceleration or termination thereof because the Grantor has not obtained a consent of the applicable third party to the hypothecation of such rights in the Special Property, the hypothec against such rights in the Special Property is granted under the suspensive condition that the consent of the other party be obtained or requirement for consent waived. Upon consent being obtained or waived, the hypothec created above shall apply to the applicable Special Property and without necessity of any further agreement or other assurance to effect the hypothecation thereof.

2.2. Continuing Security

The hypothec created herein is continuing security and will subsist notwithstanding any fluctuation or repayment of the obligations hereby secured. The Grantor shall be deemed to obligate itself again, as provided in Article 2797 of the Civil Code of Quebec, with respect to any future obligation hereby secured.

2.3. Insurance

2.3.1 The Grantor will insure and keep insured the Charged Property against such other perils as are customarily insured by those carrying on an enterprise similar to that of the Grantor or as

may from time to time be specified by the Creditor, for their full insurable value, by means of a policy or policies each with loss payable to the Creditor and containing a mortgage clause approved by the Creditor and issued by an insurer or insurers approved by the Creditor. The Grantor obliges itself to effect such new insurance as the Creditor may direct should the insurer(s) cease to have the approval of the Creditor or should the Creditor be advised by the insurer or otherwise become aware of any amendment to any policy which, in the sole and absolute discretion of the Creditor, is unsatisfactory to the Creditor. At least thirty (30) days before the expiry or cancellation of any policy, the Grantor will deliver to the Creditor evidence of renewal or replacement thereof. Without limiting the generality of the foregoing, the Grantor shall insure and keep insured the Charged Property under policies providing for the following: (a) Insurance against loss or damage by all hazards as are insurable under an all risk policy for their full insurable value; (b) Comprehensive broad form boiler and machinery insurance, including unfired pressure vessels and air conditioning equipment, including use and occupancy coverage, in an amount satisfactory to the Creditor; and (c) Insurance against loss of rentals covering potential loss of revenue from the Charged Property, if any, for at least twelve (12) months from the date of any occurrence or any longer indemnity period that the Creditor may prescribe from time to time;

2.3.2 The Grantor will maintain comprehensive general public liability insurance with respect to personal injury, death, and damage to property of third parties in an amount satisfactory to the Creditor;

2.3.3 Each insurance policy will be issued by an insurer or insurers approved by the Creditor and by way of a policy in form and substance acceptable to the Creditor. The Grantor obliges itself to effect such new insurance as the Creditor may direct should the insurer(s) cease to have the approval of the Creditor. All policies of insurance on the Charged Property or any of them (whether or not entered into or maintained in force pursuant to this Clause) shall provide that the proceeds shall be payable to the Creditor or to prior ranking hypothecary creditors (if applicable) and to the Creditor as their respective interests may appear by means of a mortgage clause approved by the Creditor and the Grantor hereby assigns and undertakes to assign all such proceeds to the Creditor, subject to the rights of such prior ranking hypothecary creditors. At least thirty (30) days before the expiry or cancellation of any policy the Grantor shall deliver to the Creditor evidence of renewal or replacement thereof. If the Grantor fails to perform any of the obligations required to be performed by it under this paragraph, the Creditor may (but will not be obliged to) maintain such insurance coverage and the Grantor shall pay to the Creditor on demand all sums expended by it in doing so together with interest thereon as provided in this Deed;

2.3.4 The Grantor will immediately notify the Creditor of any loss of or damage to any of the Charged Property. The Grantor will provide the Creditor with copies of all insurance policies (including all amendments and endorsements) which may be in force from time to time with respect to the Charged Property;

2.3.5 In the event that any insurance proceeds are paid to the Creditor, it may, at its option, apply such proceeds in reduction of the Indebtedness, whether or not exigible or, at the option of the Creditor, advance such proceeds to the Grantor, in such manner as the Creditor deems advisable for the purpose of repairing, restoring or reconstructing the Charged Property to a state and condition at least as good as existed prior to said loss or damage.

2.4. Representations, covenants, etc.

2.4.1 The Grantor hereby declares, represents, warrants and covenants that as of the date of this Hypothec and at all times during which this Hypothec is in effect:

2.4.1.1 the Grantor will pay all fees and expenses, legal and notarial or otherwise, and costs of publication or registration, incurred by or on behalf of the Creditor in respect of this Hypothec and all amendments thereto and renewals and discharges thereof, and notices of address, and will pay all appraisal fees relating to the Charged Property as well as all costs, disbursements and expenses in connection with the enforcement of any of the Creditor's rights hereunder and in connection with the recovery or conservation of the Charged Property, which costs, disbursements and expenses include, without limitation, the following:

- (a) all costs and expenses of maintenance, operation, administration, conservation and/or collection of the Charged Property;
- (b) the usual charges of all independent managers for the maintenance, operation, administration and/or collection of the Charged Property; and
- (c) reasonable compensation for any person or firm engaged, employed or consulted by or on behalf of the Creditor who acts in connection with the maintenance, operation, administration, conservation and/or collection of any of the Charged Property;

2.4.1.2 the Grantor will maintain the Charged Property in good repair and prevent any use thereof which might diminish the value thereof or the Creditor's hypothec thereon, and from time to time at the request of the Creditor give the Creditor's officers, employees and agents access thereto for the purpose of inspection;

2.4.1.3 the Grantor will at all times do or cause to be done all things necessary or proper to preserve and keep in full force and effect its corporate existence and its ability to carry on its business and will not merge or amalgamate with any other entity without the prior written consent of the Creditor;

2.4.1.4 the Grantor will pay or cause to be paid as and when due and payable all taxes, rates, assessments, levies, surtaxes and any other impositions, ordinary and extraordinary, which may be assessed on or payable by the Grantor or in respect of any of the Charged Property as well as any and all interest thereon and penalties imposed in respect thereof (collectively the "Taxes") and will deliver to the Creditor evidence of payment of the Taxes within fifteen (15) days after such Taxes become due and will make all remittances which it is required to make pursuant to any fiscal legislation applicable to the Grantor;

2.4.1.5 the Grantor will, at all times, duly and punctually pay and discharge the wages, salaries and other remuneration of all persons employed by the Grantor in connection with the enterprise of the Grantor;

2.4.1.6 with respect to environmental matters:

- (a) the Grantor will operate its business and maintain the Charged Property and all other property owned from time to time by it in compliance with the requirements of applicable environmental laws and will not bring onto or use any air contaminant, pollutant, toxic substances or hazardous waste except in strict compliance with all environmental laws;
- (b) the Grantor will promptly forward to the Creditor copies of all orders, notices, permits, applications, complaints and other communications and reports relating to its breach or potential breach of any environmental laws and will properly and diligently commence and complete all operations and other matters necessary in order to complete the remedy or rectify any such breach;

2.4.1.7 the Grantor is and shall be the sole and absolute owner of the Charged Property by good and marketable title free;

2.4.1.8 The Grantor will not, without the prior written consent of the Creditor, create, incur, assume, or suffer to exist any hypothec, mortgage, deed of trust, pledge, lien, security interest, assignment, charge or encumbrance (including any conditional or instalment sale, or other title retention agreement or finance lease) of any nature, upon or with respect to any of its properties, now owned or hereafter acquired, other than Permitted Charges;

2.4.1.9 except as provided herein, the Grantor will not sell, further hypothecate, register servitudes, encumber or otherwise dispose of any of the Charged Property without the prior written consent of the Creditor, which it may, in its discretion, refuse. In the event that the Creditor consents to the granting of a further hypothec on any of the Charged Property, such consent will be subject to the beneficiary of the hypothec entering into satisfactory arrangements with the Creditor including, without limiting the generality of the foregoing, a provision in such hypothec that upon the sale of any of the Charged Property by or for the account of the Creditor, such property will be sold free and clear of any hypothecs created therein, an undertaking that it will so confirm in writing to the Creditor and any prospective buyer, and an undertaking to grant mainlevée of its hypothec on such property at the time of the sale.

3. ADDITIONAL PROVISIONS WITH RESPECT TO THE HYPOTHEC ON CLAIMS

3.1. Debt Collection

The Creditor hereby authorizes the Grantor to collect all Claims forming part of the Charged Property as the same fall due and payable according to the terms of each of the documents evidencing such Claims.

3.2. Withdrawal of Authorization to Collect

The Creditor may, at its sole discretion, upon the occurrence and during the continuance of an Event of Default, withdraw the authorization granted above, by giving notice as prescribed by Applicable Law, whereupon the Creditor shall immediately be entitled to collect all Claims referred to in such notice. The debtors under such Claims shall comply with the notice sent by or

on behalf of the Creditor and thereafter shall pay all Claims to the Creditor without inquiry into the state of accounts between the Creditor and the Grantor.

3.3. Accounts and Records

Should the Creditor serve a notice withdrawing the authorization granted to the Grantor to collect the Claims as provided for above, the Grantor hereby agrees that all accounts and records maintained by the Creditor with respect to any such Claims received and their application by the Creditor shall be prima facie conclusive and binding unless proven to be wrong or incorrect.

3.4. Powers in Connection with Collection of Claims

Without limiting or otherwise restricting the Creditor's rights as set forth herein or under Applicable Law, upon the occurrence and during the continuance of an Event of Default, the Creditor is irrevocably authorized in connection with the collection of the Claims, as the Grantor's agent and mandatary, to:

- 3.4.1 grant delays, take or abandon any security;
- 3.4.2 grant releases and discharges, whole or partial, with or without consideration;
- 3.4.3 endorse all cheques, drafts, notes and other negotiable instruments issued to the order of the Grantor in payment of the Claims;
- 3.4.4 take conservatory measures and appropriate proceedings to obtain payment of the Claims;
- 3.4.5 negotiate and settle out of Court with the debtors of the Claims, their trustee if there is a bankruptcy or insolvency, or any other legal representative, the whole as it deems appropriate; and
- 3.4.6 deal with any other matter relating to the Claims, in its discretion, without the intervention or the consent of the Grantor;

the Creditor shall not however be liable for any damages or prejudice which may result from its fault, other than its intentional fault, wilful misconduct or gross negligence.

3.5. Collection of Debts by Grantor

If, despite the withdrawal of authorization by the Creditor in accordance with the terms hereof, any Claims are paid to the Grantor, the Grantor shall be deemed to have received such amounts for the account and on behalf of the Creditor and shall pay all such amounts to the Creditor forthwith upon receipt.

3.6. Further Assurances

If and when requested by the Creditor, the Grantor shall remit to the Creditor all documents which are useful or necessary for the purposes set forth in this Section 3, shall sign any useful or necessary documents without delay, and, as the case may be, shall collaborate in the collection by the Creditor of the Claims.

3.7. Waiver

The Grantor hereby waives any obligation the Creditor may have to inform the Grantor of any irregularity in the payment of any Claims.

3.8. Limitation of Creditor's Liability

The Creditor shall not be liable or accountable for any failure to collect, realize, dispose of, enforce or otherwise deal with the Claims or any part thereof and shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Creditor, the Grantor or any other Person in respect of the Claims and shall not be liable or responsible for any loss or damage whatsoever which may accrue in consequence of any such failure whether resulting from the negligence of the Creditor or any of its officers, employees, mandataries, solicitors, attorneys, receivers or otherwise other than by way of their gross negligence, wilful misconduct or intentional fault.

4. REMEDIES

4.1. Acceleration

Upon the occurrence and during the continuance of an Event of Default, the entire Indebtedness shall, at the option of the Creditor in its sole discretion, immediately become due and payable, all without notice, presentment, protest, demand, notice of dishonour or any other demand or notice whatsoever, each of which are hereby expressly waived, and all the Creditor's rights and remedies under this Hypothec and otherwise under Applicable Law shall immediately become enforceable and the Creditor shall, in addition to any other rights, recourses and remedies it has, forthwith be entitled to exercise any and all hypothecary rights prescribed by the Civil Code of Quebec.

4.2. Agent

The Creditor may appoint any one or more agents who shall be entitled to exercise the powers and rights vested in the Creditor pursuant to this Hypothec and under Applicable Law.

4.3. Creditor May Act on Advice of Professionals

The Creditor may execute any of the powers imposed or conferred upon it under this Hypothec, and perform any duties required of it, by or through attorneys or agents and, in relation to this Hypothec, may act on the opinion or advice of or information obtained from any lawyer, valuer, surveyor, broker, auctioneer, accountant or other expert, whether obtained by the Creditor or by the Grantor or otherwise, and shall not be responsible for any loss occasioned by acting or not acting thereon, unless occasioned by its intentional fault, wilful misconduct or gross negligence, and shall be entitled to take legal or other advice and employ such assistance as may be necessary to the proper discharge of its duties, and to pay proper and reasonable compensation to such agents and attorneys for all such legal and other advice or assistance as aforesaid.

4.4. Creditor's Right to Perform Obligations

If the Grantor shall fail, refuse or neglect to make any payment or perform any act required hereunder, then while any Event of Default exists, and without notice to or demand upon the Grantor and without waiving or releasing any other right, remedy or recourse the Creditor may

have as a result of or in relation to such Event of Default, the Creditor may (but shall not be obligated to) make such payment or perform such act for the account of and at the expense of the Grantor, and shall have the right to take all such action and undertake such expenditures as it may deem necessary or appropriate. If the Creditor shall elect to pay any sum due with reference to the Charged Property, the Creditor may do so in reliance on any bill, statement or assessment procured from the appropriate governmental authority or other issuer thereof without inquiring into the accuracy or validity thereof. Similarly, in making any payments to protect the security intended to be created hereunder, the Creditor shall not be bound to inquire into the validity of any apparent or threatened adverse title, hypothec, encumbrance, claim or charge before making an advance for the purpose of preventing or removing the same. The Grantor shall indemnify the Creditor for all losses, expenses, damages, claims and causes of action, including legal fees (on a solicitor and client basis), incurred or accruing by reason of any acts performed by the Creditor pursuant to the provisions of this Section 4.4. All sums paid by the Creditor pursuant to this Section 4.4, and all other sums expended by the Creditor for which it shall be entitled to be indemnified, shall be added to the Indebtedness, shall be secured by this Hypothec and shall be paid by the Grantor to the Creditor upon demand.

4.5. Mise en demeure

No notice or mise en demeure of any kind shall be required to be given to the Grantor by the Creditor for the purpose of putting the Grantor in default, the Grantor being in default by the mere lapse of time allowed for the performance of an obligation or by the mere happening of an event constituting an Event of Default.

Moreover, the Attorney may sell or otherwise dispose of any Hypothecated Securities which are "securities" or "security entitlements" (within the meaning of *An Act Respecting the Transfer of Securities and Establishment of Security Entitlements* (Québec)), without having to give a prior notice, obtain voluntary surrender thereof or observe the time limits prescribed by Applicable Law.

4.6. Exercise of Recourses

In exercising any of the rights, recourses or remedies available hereunder, the Creditor may at its discretion, in respect of all or any part of the Charged Property or any other security held by the Creditor, exercise such rights, recourses and remedies as are available hereunder or under Applicable Law, as it elects to exercise, without prejudicing the other rights, recourses and remedies available to the Creditor in respect of all or part of the Charged Property or any other hypothec or other security held by the Creditor. The Creditor may exercise any of such rights, recourses and remedies in respect of all or any part of the Charged Property (or any other security held by the Creditor), simultaneously or successively. It is further understood that the Creditor shall be entitled to exercise and enforce all of the rights and remedies available to it, free from any control of the Grantor provided, however, that the Creditor shall not be bound to realize any specific security nor exercise any right or remedy as aforesaid and shall not be liable for any loss which may be occasioned by any failure to do so.

4.7. Surrender

If a prior notice of the Creditor's intention to exercise a hypothecary right is given to the Grantor, the Grantor shall, and shall cause any other Person in possession of the Charged Property subject to such prior notice, to immediately surrender same to the Creditor and shall execute, and cause to be executed all deeds and documents required to evidence such surrender to the Creditor.

4.8. Extension of Time and Waiver

Neither any extension of time given by the Creditor to the Grantor or any Person claiming through the Grantor, nor any amendment to this Hypothec or other dealing by the Creditor with a subsequent owner of the Charged Property will in any way affect or prejudice the rights of the Creditor against the Grantor or any other Person or Persons liable for payment of the Indebtedness. The Creditor may waive any Event of Default in its sole discretion. No waiver will extend to a subsequent Event of Default, whether or not the same as or similar to the Event of Default waived, and no act or omission by the Creditor will extend to, or affect, any subsequent Event of Default or the rights of the Creditor arising from such Event of Default. Any such waiver must be in writing and signed by the Creditor. No failure on the part of the Creditor or the Grantor to exercise, and no delay by the Creditor or the Grantor in exercising, any right pursuant to this Hypothec will operate as a waiver of such right. No single or partial exercise of any such right will preclude any other or further exercise of such right.

4.9. Cancellation of Hypothec and Release

The Creditor will have a reasonable period of time after full payment and satisfaction of the Indebtedness to prepare and execute a cancellation of this Hypothec. All reasonable legal and other expenses for the preparation, execution, delivery and registration of the cancellation shall be paid by the Grantor upon demand. The Grantor shall register such cancellation. The Creditor may release in its discretion and at any time any Person or any part or parts of the Charged Property from all or any part of the Indebtedness or the security either with or without any consideration and without releasing any other part of the Charged Property or any other Person from this Hypothec or from any of the covenants contained in this Hypothec, and without being accountable to the Grantor for the value of the Charged Property released or for any money except that actually received by the Creditor. The Creditor may grant renewals, extensions, indulgences, releases and discharges may take security from and give the same up, may abstain from taking security from, may accept compositions and proposals, and may otherwise deal with the Grantor and all other Persons and security as the Creditor may see fit without prejudicing the rights of the Creditor hereunder.

5. ADDITIONAL RIGHTS OF THE CREDITOR

5.1. Additional Rights

The Grantor agrees that upon the occurrence and during the continuance of an Event of Default, the following provisions shall apply to supplement the provisions of any Applicable Law and without limiting any other provisions of this Hypothec dealing with the same subject matter:

5.1.1 The Creditor shall be the irrevocable mandatary and agent of the Grantor, with power of substitution, in respect of all matters relating to the enforcement of all rights, recourses and remedies of the Creditor. The Creditor shall, as regards all of the powers, authorities and discretions vested in it hereunder, have the absolute and unfettered discretion as to the exercise thereof whether in relation to the manner or as to the mode or time for their exercise.

5.1.2 Without limiting the generality of Section 5.1.1, the Grantor agrees that the Creditor may but is not obliged to, at the expense of the Grantor, for the purposes of protecting or realizing upon the value of the Charged Property or its rights:

5.1.2.1 cease or proceed with, in any way the Creditor sees fit, any enterprise of the Grantor, and the administration of the Charged Property, including, without limitation, the generality of the foregoing:

- (a) sign any credit agreement, security document, lease, service contract, construction contract, management contract, development contract, maintenance contract or any other agreement, contract, deed or other document in the name of and on behalf of the Grantor in connection with the Charged Property or any enterprise of the Grantor and renew, cancel or amend from time to time any such agreement, contract, deed or other document;
- (b) maintain, repair, renovate, operate, alter, complete, preserve or extend any part of the Charged Property in the name of the Grantor including undertaking or completing any construction work at the Grantor's expense;
- (c) reimburse for and on behalf of the Grantor any third person having a claim against any part of the Charged Property;
- (d) borrow money or lend its own funds for any purposes related to the Charged Property; and

receive the revenues, rents, fruits, products and profits from the Charged Property and endorse any cheque, securities or other instrument;

5.1.2.2 dispose of any part of the Charged Property likely to rapidly depreciate or decrease in value;

5.1.2.3 use the information it has concerning the Grantor or any information obtained during the exercise of its rights except as may be otherwise provided in any confidentiality agreement;

5.1.2.4 fulfil any of the undertakings of the Grantor or of any other Person;

5.1.2.5 use, administer and exercise any other right pertaining to the Charged Property; and

5.1.2.6 do all such other things and sign all documents in the name of the Grantor as the Creditor may deem necessary or useful for the purposes of exercising its rights, recourses and remedies hereunder or under Applicable Law.

5.1.3 In the event of the exercise by the Creditor of any right, recourse or remedy following the occurrence of an Event of Default:

5.1.3.1 the Creditor shall only be accountable to the Grantor to the extent of its commercial practice and within the delays normally observed by the Creditor and the Creditor shall not be obliged to with respect to the Charged Property or any enterprise operated by or on behalf of the Grantor;

- (a) make inventory, take out insurance or furnish any security;

- (b) advance any sums of money in order to pay any expenses not even those expenses that may be necessary or useful; or
- (c) maintain the use for which the enterprise of the Grantor or any Charged Property is normally intended, make it productive or continue its use;
- (d) and shall not be held liable for any loss whatsoever other than as a result of its gross negligence, wilful misconduct or intentional fault;

5.1.3.2 any and all sums of money remitted to or held by the Creditor may be invested at its discretion, without the Creditor being bound by any legislative provisions relating to the investment or administration of the property of others; the Creditor is not obliged to invest or pay interest on amounts collected even where such amounts exceed the amounts due by the Grantor;

5.1.3.3 the Creditor may itself, directly or indirectly, become the owner of the whole or any part of the Charged Property to the extent not prohibited by Applicable Law;

5.1.3.4 the Creditor may, at the time it exercises its rights, renounce to a right belonging to the Grantor, make settlements and grant discharges and mainlevées, even without consideration;

5.1.3.5 in the event the Creditor exercises its hypothecary right of taking in payment and the Grantor requires the Creditor to sell the whole or any part of the Charged Property, the Grantor acknowledges that the Creditor shall not be required to renounce to its hypothecary right of taking in payment unless, prior to the expiration of the time limit to surrender, the Creditor (i) shall have received security, which the Creditor deems satisfactory, to the effect that the sale will be made at a price sufficient to pay all amounts owing under the Indebtedness and to enable the Creditor to be paid its claim in full, (ii) shall have been reimbursed the costs it shall have incurred, and (iii) shall have been advanced all amounts necessary for the sale of the Charged Property;

5.1.3.6 in the event that the Creditor sells the whole or any part of the Charged Property, it will not be required to obtain any prior appraisal from a third party; and

5.1.3.7 the sale of the Charged Property may be made with legal warranty on the part of the Grantor or, at the option of the Creditor, with total or partial exclusion of warranty.

5.1.4 The Creditor shall only be bound to exercise reasonable prudence and diligence in the execution of its rights and performance of its obligations under the terms of this Hypothec or under Applicable Law and the Creditor shall not be responsible for prejudice that may result from its fault or that of its agents or representatives, with the exception of its gross negligence, wilful misconduct or intentional fault.

5.1.5 The Creditor shall not be responsible in respect of any obligations undertaken in the exercise of its powers under the terms of this Hypothec or under Applicable Law, even in any case where the Creditor may have exceeded its powers, or by reason of any delay, omission or any other act made in good faith by the Creditor or its representatives with the exception of

obligations undertaken or acts made further to gross negligence, wilful misconduct or intentional fault.

6. THE CREDITOR

6.1. Protection of Persons Dealing with Creditor

No Person dealing with the Creditor or its agents need inquire whether the hypothec hereby constituted has become enforceable or whether the powers which the Creditor is purporting to exercise have become exercisable.

6.2. Delegation of Powers

The Creditor may delegate the exercise of its rights or the performance of its obligations hereunder to another Person. In that event, the Creditor may furnish that Person with any information it may have concerning the Grantor or the Charged Property. The Creditor shall not be responsible for damages resulting from such delegation or from any fault committed by such delegate.

6.3. Successors

The rights of the Creditor hereunder shall benefit any successor or assign of the Creditor, including any Person resulting from the amalgamation of the Creditor with any other Person.

6.4. Liability of Creditor

The Creditor shall only be accountable for reasonable diligence in the performance of its duties and the exercise of its rights hereunder, and shall only be liable for its own gross negligence, intentional fault and wilful misconduct.

6.5. Unfettered Discretion to Exercise Powers

The Creditor, except as herein otherwise provided, shall, with respect to all rights, powers and authorities vested in it, have absolute and uncontrolled discretion as to the exercise thereof, whether in relation to the manner or as to the mode and time for the exercise thereof, and in the absence of fraud, it shall be in no way responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise thereof.

7. MISCELLANEOUS

7.1. General Indemnity

The Grantor shall protect, defend, indemnify and save harmless the Creditor and its shareholders, directors, officers, employees and agents from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including without limitation reasonable legal fees and expenses), imposed upon or incurred by or asserted against the Creditor by reason of holding this Hypothec or any interest therein or receipt of any Claims, or any other action or failure to act in relation to the Charged Property or the exercise of any rights or recourses of the Creditor.

7.2. Amendments and Waivers

No amendment or waiver of any provision of this Hypothec shall be effective unless in writing and signed by the party against whom enforcement is sought.

7.3. Waivers

No course of dealing on the part of the Creditor, its officers, employees, consultants or agents, nor any failure or delay by the Creditor with respect to exercising any right, power or privilege of the Creditor shall operate as a waiver thereof.

7.4. Payment to Third Parties

If the Creditor is at any time or from time to time required to make a payment in connection with the security constituted by this Hypothec, such payment and all reasonable costs of the Creditor (including legal fees and other expenses) shall be immediately payable by the Grantor to the Creditor.

7.5. Notices

All notices and communications hereunder shall be given to the addresses indicated on the first page of this Hypothec.

7.6. Governing Law

This Hypothec shall be governed by and construed in accordance with the Applicable Law of the Province of Quebec and the Applicable Law of Canada.

7.7. Counterparts

This Hypothec may be executed by one or more of the parties to this agreement on any number of separate counterparts (including by telecopy or in Portable Document Format (PDF)), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

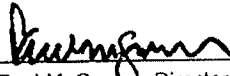
7.8. Language

The parties hereto confirm that they have requested that this Hypothec and all related documents be drafted in English. Les parties aux présentes ont exigé que le présent acte et tous les documents connexes soient rédigés en anglais.

19th

SIGNED AT Toronto, THIS 19th DAY OF JANUARY, 2015.

RETAIL AGENTS 230 LIMITED



Per: Paul McGowan, Director

HMV CANADA INC.

Per: Harvey Berkley, Chief Financial Officer

Deed of Hypothec

SIGNED AT Toronto, THIS 19 DAY OF JANUARY, 2015.

RETAIL AGENTS 230 LIMITED

Per: Paul McGowan, Director

HMV CANADA INC.

Harvey Berkley
Per: Harvey Berkley, Chief Financial Officer

EXHIBIT

Q

AMENDMENT AND CONSOLIDATION AGREEMENT

THIS AMENDMENT AND CONSOLIDATION AGREEMENT (as amended, restated, supplemented or replaced, from time to time, this “**Agreement**”) is made as of this 22nd day of December, 2016.

AMONG:

HMV CANADA INC.
 (“**HMV**”)

- and each of -

HUK 10 LIMITED (“HUK10”),
HMV IP HOLDINGS ULC (“HMV IP”) and
RETAIL AGENTS 230 LIMITED (“RAL”)
(collectively, the “**Creditors**”)

- and –

HMV DIGITAL HOLDINGS ULC
 (“**HMV Digital**”)

- and –

HMV PURE HOLDINGS ULC
 (“**HMV Pure**”)

WHEREAS:

- A. HMV is indebted to each of the Creditors in respect of certain indebtedness, liabilities and obligations owing pursuant and in accordance with the various agreements and arrangements detailed on **Schedule A** hereto;
- B. In addition, HMV has guaranteed the indebtedness, liabilities and obligations of each of HMV IP, HMV Digital and HMV Pure (collectively, the “**Related HMV Debtors**”) owing to HUK10, the details of which are provided on **Schedule B** hereto, in accordance with the terms of a guarantee dated December 28, 2011 (as amended, restated, supplemented or replaced, from time to time, the “**HUK10 Guarantee**”);
- C. As of the date hereof, the amount of the indebtedness, liabilities and obligations of HMV to each of the Creditors and the Related HMV Debtors to HUK10 under their respective Indebtedness Agreements and Arrangements (as defined below) and the HUK10 Guarantee (collectively, with all further or other loans or accruing amounts and plus accruing interest, fees and costs, the “**Indebtedness**”) is as set out on **Schedule C** hereto;
- D. As security for the Indebtedness, HMV has granted each of the Creditors a lien, charge, security interest and hypothec in and to all of its property, assets and undertakings,

pursuant to the security agreements set out on **Schedule D** hereto (collectively, as amended, restated, supplemented or replaced, from time to time, the “**Security**”);

- E. Certain defaults have occurred as of the date hereof under the HUK10 Loan Agreement (as defined below) and, as a result, the other Indebtedness Agreements and Arrangements (collectively, the “**Current Events of Default**”), and each of the Creditors has concerns about the ability of HMV and the Related HMV Debtors (collectively, the “**Debtor Parties**”) to repay their respective portions of the Indebtedness if not repaid in the immediate future;
- F. HMV will be, or is currently, engaged in a process (the “**Major Supplier Negotiation Process**”) to negotiate satisfactory supply arrangements with certain of its most critical suppliers of inventory for sale (collectively, the “**Major Suppliers**”), which, if consummated in a manner satisfactory to the Creditors, will result in HMV continuing business operations of HMV for at least the 2017 calendar year;
- G. As part of the Major Supplier Negotiation Process, some or all of the Major Suppliers may take an assignment of, or participate in, the Indebtedness and the Security, in return for an investment in HMV through HUK10 (the “**Major Supplier Participation**”);
- H. To facilitate the Major Supplier Participation if necessary, and allow for the easy administration, monitoring and, if necessary, collection or enforcement, of the Indebtedness and the Security, HMV has requested that the each of HMV IP and RAL (collectively, the “**Assigning Creditors**”) assign all of their respective Indebtedness to HUK10 (the “**Indebtedness and Security Assignment**”);
- I. The Creditors have agreed, subject to the terms and conditions hereof, to: (i) forbear from taking enforcement actions under the Indebtedness Documents (as defined below) in connection the Current Events of Default; (ii) allow the Major Supplier Negotiation Process to continue to determine if a satisfactory result can be achieved; and (iii) complete the Indebtedness and Security Assignment; all to provide a chance to HMV to restructure its affairs and continue business operations, while ensuring that it will have the ability to repay the Indebtedness.

NOW THEREFORE in consideration of the respective covenants of the parties hereto as herein contained, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereby agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a) “**Assigning Creditors**” has the meaning given to such term in Recital H, and includes any successors or assigns of each of the Assigning Creditors;

- (b) “**Assigned Indebtedness**” means, collectively, the Indebtedness owing by HMV to each of HMV IP and RAL;
- (c) “**Assigned Security**” means, collectively, the Security granted by HMV to each of HMV IP and RAL;
- (d) “**Agreement**” has the meaning given to such term the Preamble to this Agreement;
- (e) “**BIA**” means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (f) “**Business Day**” means any day other than a Saturday or Sunday on which banks in Toronto, Ontario are open for business;
- (g) “**CCAA**” means the *Companies’ Creditors Arrangement Act* (Canada), as amended from time to time;
- (h) “**Consultant**” has the meaning given to such term in Section 2.5(a);
- (i) “**CRA**” means Canada Revenue Agency or any successor thereto;
- (j) “**Creditors**” has the meaning given to such term the Preamble to this Agreement, and includes any successors or assigns of each of the Creditors.
- (k) “**Current Events of Default**” has the meaning given to such term in Recital I;
- (l) “**Debtor Parties**” has the meaning given to such term in Recital F, and includes any successors or assigns of the Debtor Parties;
- (m) “**HMV**” has the meaning given to such term the Preamble to this Agreement, and includes any successors or assigns of HMV;
- (n) “**Direct Indebtedness**” means, collectively, the Indebtedness owing by HMV to each of the Creditors.
- (o) “**Forbearance Period**” has the meaning given to such term in Section 5.1;
- (p) “**Guaranteed Indebtedness**” means, collectively, the Indebtedness owing by each of HMV IP, HMV Pure and HMV Digital to HUK10;
- (q) “**HST**” means Harmonized Sales Tax;
- (r) “**HUK10**” has the meaning given to such term the Preamble to this Agreement, and includes any successors or assigns of HUK10;
- (s) “**HUK10 Guarantee**” has the meaning given to such term in Recital B;
- (t) “**HUK10 Loan Agreement**” has the meaning given to such term in **Schedule A**;

- (u) **“HMV Digital”** has the meaning given to such term in the Preamble to this Agreement, and includes any successors or assigns of HMV Digital;
- (v) **“HMV IP”** has the meaning given to such term the Preamble to this Agreement, and includes any successors or assigns of HMV IP;
- (w) **“HMV Pure”** has the meaning given to such term the Preamble to this Agreement, and includes any successors or assigns of HMV Pure;
- (x) **“Indebtedness”** has the meaning given to such term in Recital C, and includes, for greater certainty, any Independent Indebtedness and any Professional Expenses;
- (y) **“Indebtedness and Security Assignment”** has the meaning given to such term in Recital H;
- (z) **“Indebtedness Agreements and Arrangements”** means, collectively, the documents, instruments, agreements and arrangements giving rise to the Indebtedness, all as more particularly described on **Schedule A** and **Schedule B** hereto, as the same may be amended, restated, supplemented or replaced, from time to time;
- (aa) **“Indebtedness Documents”** means, collectively, the Indebtedness Agreements and Arrangements, the HUK10 Guarantee, the Security and all documents, instruments, certificates and other agreements executed or delivered in connection therewith or pursuant thereto;
- (bb) **“Intervening Event”** has the meaning given to such term in Section 7.1;
- (cc) **“Liquidation Process”** has the meaning given to such term in Section 2.5(a);
- (dd) **“Major Suppliers”** has the meaning given to such term in Recital F;
- (ee) **“Major Supplier Negotiation Process”** has the meaning given to such term in Recital F;
- (ff) **“Major Supplier Participation”** has the meaning given to such term in Recital G;
- (gg) **“Parties”** means, collectively, HMV, each of the Creditors, HMV Digital and HMV Pure, and includes their respective successors and assigns;
- (hh) **“Person”** includes any natural person, corporation, company, limited liability company, unlimited liability company, trust, joint venture, association, incorporated organization, limited or general partnership, governmental authority or other entity;

- (ii) “**PPSA**” means *Personal Property Security Act* (Ontario), as amended from time to time, provided that, if the PPSA directs that any other personal property security legislation (including, without limitation, the *Civil Code* of Quebec) should govern the perfection, priority, validity and effect of perfection or non-perfection of a security interest in any asset of HMV, then “PPSA” shall mean such other personal property security legislation but only in respect of such asset;
- (jj) “**Priority Payables**” means any payments required to be made to any employee, creditor, landlord, storer, bailee, governmental authority (including, without limitation, the CRA), Person or other entity which could, if not paid, result in a lien, security interest, deemed trust, or other trust claim against the assets of HMV in priority to the Security;
- (kk) “**Professional Expenses**” has the meaning given to such term in Section 6.3;
- (ll) “**RAL**” has the meaning given to such term the Preamble to this Agreement, and includes any successors or assigns of RAL;
- (mm) “**Related HMV Debtors**” has the meaning given to such term in Recital B, and includes any respective successors or assigns of the Related HMV Debtors;
- (nn) “**Richter**” means [Richter Advisor Group Inc.], and its successors and assigns; and
- (oo) “**Security**” has the meaning given to such term in Recital D.

1.2 Schedules

The following schedules form part of this Agreement:

Schedule A	- Details of Direct Indebtedness to Creditors
Schedule B	- Details of Guaranteed Indebtedness to HUK10
Schedule C	- Indebtedness as of December 22, 2016
Schedule D	- Security

1.3 Gender and Number; Currencies

Words importing the singular include the plural and vice versa and words importing gender include all genders. For greater certainty, any defined term that references a group of Persons shall mean such group of Persons or any single member of such group of Persons. All monetary amounts referred to in this Agreement shall refer to Canadian currency, unless otherwise indicated.

1.4 Severability

Each of the provisions contained in this Agreement is distinct and severable, and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of this Agreement.

1.5 Headings

The division of this Agreement into articles, sections and clauses, and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. References to any article, section, subsection, paragraph, clause or schedule are to the articles, sections, subsections, paragraphs, clauses or schedules in or to this Agreement, unless otherwise indicated.

1.6 Entire Agreement

Except for the Indebtedness Documents and the additional documents provided for herein, this Agreement constitutes the entire agreement of the parties and supersedes all prior agreements, representations, warranties, statements, promises, information, arrangements and understandings, whether oral or written, express or implied, relating to the subject matter hereof. This Agreement may not be amended or modified except by written consent executed by all the parties. No provision of this Agreement will be deemed waived by any course of conduct unless such waiver is in writing and signed by all the parties, specifically stating that it is intended to modify this Agreement.

1.7 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to any conflicts of law or principles of comity.

1.8 Attornment

Each of the Parties irrevocably attorns to the exclusive jurisdiction of the Superior Court of Justice (Commercial List) of the Province of Ontario in the City of Toronto for all matters arising out of or in connection with this Agreement.

1.9 Conflicts

If there is any inconsistency or conflict between the terms of this Agreement and the terms of the Indebtedness Documents, the provisions of this Agreement shall prevail to the extent of the inconsistency, but the foregoing shall not apply to limit or restrict in any way the rights and remedies of the Creditors under the Indebtedness Documents or this Agreement other than as may be specifically contemplated herein.

ARTICLE 2

ACKNOWLEDGEMENTS AND CONFIRMATION

2.1 Acknowledgement of Indebtedness

- (a) Each of the Parties hereby acknowledges, confirms and agrees that:
 - (i) HMV is directly indebted to each of the Creditors for the amounts of the Direct Indebtedness set out in **Schedule C**, as at the date set out thereon;
 - (ii) each of the Related HMV Debtors are directly indebted to HUK10 for the amounts of the Guaranteed Indebtedness set out in **Schedule C**, as at the date set out thereon; and
 - (iii) HMV is indebted to HUK10, as a result of the HUK10 Guarantee, for the amounts of the Guaranteed Indebtedness set out in **Schedule C**, as at the date set out thereon, subject to a demand being made for such amounts.
- (b) Each of the Parties hereby acknowledges, confirms and agrees that the Indebtedness now or hereafter properly payable by the Debtor Parties to HUK10 under this Agreement or the Indebtedness Documents, is unconditionally owing, without any right of setoff, defence, counterclaim or reduction of any kind, nature or description whatsoever, and that each of the Debtor Parties is estopped from disputing the Indebtedness.
- (c) Each of the Debtor Parties hereby acknowledges, confirms and agrees that it will continue to accept statements of the Indebtedness issued by HUK10 to be accurate statements of the amount and the particulars of the Indebtedness as of the date of the statement, absent manifest error.

2.2 Acknowledgement of HUK10 Guarantee and Security

- (a) HMV hereby acknowledges, confirms and agrees that the HUK10 Guarantee is and shall continue to be in full force and effect and is valid, binding and enforceable against HMV until the Indebtedness of the Related HMV Debtors guaranteed thereunder has been indefeasibly paid and satisfied in full, and that neither the execution of this Agreement nor any change to the Indebtedness owing to HUK10 occasioned or recognized or reflected herein, or any other matter arising herefrom, shall in any way affect the continuing effectiveness and validity of the HUK10 Guarantee.
- (b) HMV hereby acknowledges, confirms and agrees that the Security which it has executed and delivered has not been discharged, waived or varied, that it is binding upon HMV and that the Security is enforceable in accordance with its terms until the obligations of HMV to the Creditors referred to herein have been indefeasibly paid and satisfied in full.

- (c) HMV hereby acknowledges, confirms and agrees that the Security granted by it secures all of the Indebtedness owing by it to HUK10, whether under the Indebtedness Arrangements and Agreements or the HUK10 Guarantee.

2.3 Acknowledgement of Rights

Each of the Debtor Parties hereby acknowledges, confirms and agrees that HUK10 is entitled to exercise its rights and remedies under the Indebtedness Documents, the PPSA and other applicable law, subject to the terms of this Agreement and the issuance of any demands or notices required under the BIA.

2.4 General Acknowledgements

Each of the Parties hereby acknowledges, confirms and agrees that:

- (a) the facts set out in the recitals to this Agreement are true and accurate;
- (b) except as hereby amended, the Indebtedness Documents will remain in full force and effect, unamended, except as provided for herein;
- (c) except as provided for in this Agreement, no Creditor (either by itself or through its employees or agents) has made any promises, taken any action or omitted to take any action, that would constitute a waiver of its rights to enforce the Security it holds and pursue its remedies in respect of the Indebtedness, or that would stop it from doing so; and
- (d) to the date hereof, each of the Creditors has acted in a commercially reasonable manner and HMV is estopped from disputing same.

2.5 Acknowledgement re Consultant

- (a) HMV hereby consents to the engagement of Richter as a consultant (the “**Consultant**”) by HMV and HUK10 jointly to assist HUK10 with the preparation of a process for the liquidation of the property, assets and undertaking of HMV (the “**Liquidation Process**”) should the Major Supplier Negotiation Process fail to achieve a result acceptable to HUK10, which engagement which shall include, without limitation:
 - (i) ongoing communications with representatives of the Consultant and the prompt provision of any information requested by Consultant;
 - (ii) the preparation and completion of a confidential data room for the purposes of providing prospective liquidators with the information necessary to complete liquidation proposals for HMV;
 - (iii) the engagement, on a strictly confidential basis, of prospective liquidators to review the materials in any data room and prepare liquidation proposals;

- (iv) the assessment of all liquidation proposals received and the best methods by which to liquidate and maximize realization of the assets, properties and undertaking of HMV;
 - (v) the preparation of a report to be used in any court materials should the Liquidation Process become necessary; and
 - (vi) communications by the Consultant directly with any necessary third parties in respect of any of the foregoing.
- (b) HMV further acknowledges and agrees that:
- (i) Richter's appointment as the Consultant shall be made pursuant to a separate appointment letter and on terms and conditions acceptable to the HUK10;
 - (ii) any Professional Expenses incurred by Richter in its capacity as the Consultant shall be paid by HMV or otherwise deal with as Professional Expenses under Section 6.3 of this Agreement;
 - (iii) acting as the Consultant shall not prevent Richter from acting as a private receiver, or court-appointed interim receiver, receiver, receiver and manager, trustee in bankruptcy or proposal trustee under the BIA, or monitor under the CCAA of HMV or any of the other Debtor Parties, and HMV expressly agrees to the Consultant assuming any such role, if necessary and desired by HUK 10, assuming all steps and legal pre-conditions are satisfied.
- (c) Richter shall be entitled to share any information it receives from HMV with HUK10, and HMV hereby consents to same.

2.6 Acknowledgment re Bank of Montreal

Each of the Creditors acknowledges and agrees that its rights and remedies under the Indebtedness Documents are subject to the terms of subordination agreements dated December 22, 2014 with Bank of Montreal, and that, notwithstanding the terms of this Agreement, any demands in respect of the Indebtedness, or enforcement in respect of the Security, shall be subject to the indefeasible payment in full of the obligations, indebtedness and liabilities to Bank of Montreal, or the prior written consent of Bank of Montreal.

ARTICLE 3 CONDITIONS PRECEDENT

3.1 Conditions Precedent

This Agreement shall not be effective unless and until:

- (a) Richter shall have been engaged as Consultant, on terms and conditions acceptable to the HUK10; and
- (b) all Parties shall have duly executed and delivered a copy of this Agreement.

3.2 Waiver of Conditions Precedent

Each of the conditions precedent set forth in Section 3.1 is for the benefit of the Creditors, and may only be waived by the Creditors in writing.

ARTICLE 4 ASSIGNMENT OF CERTAIN INDEBTEDNESS AND SECURITY

4.1 Assignment

Subject to the terms and conditions of this Article, each of the Assigning Creditors hereby assigns, transfers and sets over unto HUK10, its successors and assigns, all of its right, title and interest in the Assigned Indebtedness and the Assigned Security as of the date hereof.

4.2 Effect of Assignment

- (a) Subject to the terms and conditions of this Article, HUK10 shall, from the date hereof, have and hold the Assigned Indebtedness and the Assigned Security, and all monies arising in respect thereof and to accrue thereon together with the interest, fees and costs owing thereon or in connection therewith, and the property, assets and undertaking of HMV thereby secured, mortgaged, charged and assigned.
- (b) Notwithstanding the foregoing, the assignment granted under this Article shall not transfer or assign any property, assets or undertakings of the Assigning Creditors to HUK10, other than the Assigned Indebtedness or the Assigned Security.
- (c) The assignment granted under this Article shall not terminate, invalidate or otherwise release or discharge any Indebtedness Agreements and Arrangements which give rise to any future Assigned Indebtedness, and each Assigning Creditor and HMV acknowledge and agree that such Indebtedness Agreements and Arrangements shall remain in full force and effect. Each Assigning Creditor and HMV shall continue to fulfill all obligations thereunder.
- (d) From the date hereof, any amounts owing under any Indebtedness Agreements and Arrangements which give rise to any future Assigned Indebtedness shall arise for the benefit of the Assigning Creditor who is a party to such Indebtedness Agreements and Arrangements, but be deemed to automatically assigned to HUK10 immediately as such Indebtedness arises.

4.3 No Set-Off

The Assigning Creditors and HUK10 acknowledge and agree that there shall be no set-off of any amounts now or hereafter owing by the Assigning Creditors to HUK10 against the Assigned Indebtedness, and that any amounts owing by the Assigning Creditors to HUK10 shall remain due and payable in accordance with their terms.

4.4 Consideration for Assignment

Each of the Assigning Creditors, HMV and HUK10 acknowledge and agree that they are under common ownership and that the assignment contemplated under this Article is being granted in consideration of HUK10's agreement to forbear from requiring immediate repayment of the Indebtedness owed to it by the Debtor Parties, and to allow the Major Supplier Negotiation Process to be completed, facilitate the Major Supplier Participation and, if necessary, allow for the easy administration, monitoring and, where appropriate, provide for streamlined collection or enforcement of the Indebtedness and the Security.

4.5 Consent of HMV as Debtor in respect of the Assigned Indebtedness

HMV hereby consents to the terms of the assignment described in this Article and covenants and agrees to be bound by same. HMV also acknowledges, confirms and agrees that all of the Assigned Indebtedness shall be secured by any Security granted in favour of HUK10, in addition to the Assigned Security.

4.6 Transfer of Registrations

Each of the Assigning Creditors hereby authorizes HUK10 or its agents to file financing change statements under the PPSA and such other applicable registrations required in respect of the Assigned Security and agrees to execute and deliver any instruments, documents or other agreements required to effect the filing of such registrations.

4.7 "As-Is, Where-Is"

Each of the Assigning Creditors makes no representations, warranties, covenants, agreements, promises or statements, express or implied or by statute, as to any cause, matter or thing whatsoever, including, without limitation, with respect to or in any way connected with the Assigned Indebtedness or the Assigned Security, including, without limiting the generality of the foregoing, the quantum, validity, enforceability, registration, perfection or priority of the Assigned Security or any part thereof, or the nature, description or value of the collateral charged by the Assigned Security or any part thereof. HUK10 acknowledges and agrees that the assignment of the Indebtedness and Security is on an "as-is, where-is" basis, with no representations or warranties as to any matter or thing whatsoever.

ARTICLE 5 FORBEARANCE CONDITIONS

5.1 Forbearance

In reliance upon the acknowledgements, representations, warranties and covenants of the Parties contained in this Agreement, and subject to the terms and conditions of this Agreement and any documents executed in connection herewith, each of the Creditors agrees, subject to the terms hereof, to forbear from exercising its rights and remedies against the Debtor Parties, as applicable, under the Indebtedness Documents, the PPSA and other applicable law, until the earlier of:

- (a) 5:00 p.m. (Toronto Time) on January 20, 2017 (the “**Expiry Date**”); and
 - (b) the occurrence of an Intervening Event,
- (the “**Forbearance Period**”).

5.2 Expiration or Termination of the Forbearance Period

Upon the expiration or termination of the Forbearance Period, the agreement of the Creditors to forbear shall automatically and without further action terminate and be of no further force and effect, it being expressly agreed that the effect of such expiration or termination will be to permit the Creditors to exercise its rights and remedies under the Indebtedness Documents, this Agreement, applicable law and any other agreement executed in connection herewith, immediately, including, without limitation:

- (a) the exercise of all remedies available pursuant to the Indebtedness Documents;
- (b) the acceleration all of the obligations of the Debtor Parties without any further notice, passage of time or forbearance of any kind;
- (c) the appointment of a private receiver under the Security; and
- (d) the making of an application to a court of competent jurisdiction to enforce any private or other remedies available to the Creditors or to seek the appointment by such court of an interim receiver, receiver, receiver and manager and/or trustee in bankruptcy of any of the applicable Debtor Parties.

5.3 Interest Rates

The Indebtedness owing to the Creditors shall bear interest at the rate of interest, if any, provided for in the Indebtedness Documents governing the Indebtedness owing to the Creditors.

5.4 Extension of Forbearance Period; Major Supplier Participation

The Parties acknowledge and agree that, if the Major Supplier Negotiation Process achieves a result that is acceptable to HUK10, the Parties shall, in good faith:

- (a) negotiate an extension of the Forbearance Period to allow for HMV's continued business operations for at least the calendar year 2017; and
- (b) negotiate the terms and conditions of the Major Supplier Participation.

ARTICLE 6

OBLIGATIONS OF THE DEBTOR PARTIES DURING THE FORBEARANCE PERIOD

6.1 Adherence to Indebtedness Documents

During the Forbearance Period, the Debtor Parties shall strictly adhere to all of the terms, conditions and covenants of the Indebtedness Documents, except to the extent that such terms, conditions and covenants are otherwise specifically amended by this Agreement.

6.2 Full Co-Operation

During the Forbearance Period, the Debtor Parties shall cooperate fully with the Creditors, including, without limitation, by providing promptly all information requested by the Creditors, and by providing the Creditors with full access to the books, records, property, assets and personnel of the Debtor Parties wherever they may be situated, at the request of and at times convenient to the Creditors, acting reasonably, which right of access shall include the right to inspect and appraise such property and assets.

6.3 Payment of Professional Expenses and Forbearance Fee

HMV hereby covenants and agrees to reimburse HUK for all expenses and disbursements, including, without limitation, the expenses and disbursements incurred by HUK10's legal and other advisors in their dealings with the Debtor Parties and in the assignment, protection, preservation and enforcement of the Security (collectively, the "**Professional Expenses**"). Nothing in this Agreement shall derogate from the Debtor Parties' obligation to pay for all of the Professional Expenses. The Professional Expenses shall be paid to HUK10 whether or not any of the transactions contemplated by this Agreement are consummated. Any Professional Expenses not paid when due shall be added to, and form part of, the Indebtedness owing to HUK10 and shall be deemed to be secured by the Security.

6.4 Operational Obligations

For the duration of the Forbearance Period, the Parties acknowledge, covenant and agree as follows:

- (a) HUK10 has hereby required and HMV has hereby agreed that it shall not make any payment on account of amounts owing to any suppliers for any reason, until:
 - (i) the Major Supplier Negotiation Process and the Major Supplier Participation have been completed in a manner satisfactory to HUK10; (ii) HUK10 has provided its prior written consent to such payment; provided that, notwithstanding the foregoing, HMV, in consultation with HUK10 and the Consultant, may make payments to suppliers where it is determined that a payment to a supplier is deemed critical for the ongoing operation of HMV's business;

- (b) HMT shall ensure that HUK10 is made aware, and provide with copies or details of, all emails to and from, and telephone calls or correspondence or other communications with, the Major Suppliers in respect of the Major Supplier Negotiation Process;
- (c) HMT shall ensure that HUK10 is involved in and a party to the Major Supplier Negotiation Process;
- (d) HMT shall do all such things, and execute and delivery all such documents, instruments or agreements, as are necessary to facilitate the Major Supplier Participation;
- (e) HMT shall cooperate with, and provide Richter, in its capacity as the Consultant, access to all of HMT's books and records, and any other information requested by Richter in order to facilitate Richter's duties as the Consultant (including, without limitation, its involvement in the Liquidation Process);
- (f) HMT shall maintain its corporate existence as a valid and subsisting entity and shall not merge, amalgamate or consolidate with any other corporation(s), except with HUK10's prior written consent;
- (g) none of the Debtor Parties shall be in default under the terms and provisions of the Indebtedness Documents (as amended or altered hereby), save and except the Current Events of Default, and any continuation or repetition of the Current Events of Default;
- (h) each of the Debtor Parties shall ensure that all Priority Payables, employee wages and vacation pay are paid when due and the Debtor Parties shall provide evidence of such payments satisfactory to HUK10 upon request for same;
- (i) HMT shall not make any payment to any Person if the financial position of HMT after making such payment would put HMT in a position of breach or default of its obligations under this Agreement or constitute an Intervening Event, other than payments required to be made to Bank of Montreal in accordance with its lending arrangements with HMT; and
- (j) unless otherwise agreed to herein, the Debtor Parties shall not do any act or thing which may have the effect of defeating or delaying the enforcement of the Creditors' rights and remedies under the Security.

ARTICLE 7 INTERVENING EVENTS

7.1 Intervening Events

This Agreement shall forthwith terminate upon the happening of any one of the following events (each an "**Intervening Event**"):

- (a) the Debtor Parties fail to perform or comply with any of their respective covenants or obligations contained in this Agreement or the Indebtedness Documents, save and except the Current Events of Default and any continuation or repetition of the Current Events of Default;
- (b) if, by not later than January 20, 2017: (i) the Major Supplier Negotiation Process has not produced a result acceptable to HMV and HUK10, in either of their reasonable discretion; and (ii) the Major Supplier Participation has not been confirmed and completed;
- (c) HMV defaults in timely payment of rentals or other charges due as rent in respect of any leased premises or equipment;
- (d) the Security ceases to constitute a valid and perfected security interest against any or all assets, properties and undertaking of each of the Debtor Parties;
- (e) the loss, damage, destruction or confiscation of the Debtor Parties' property or assets or any material part thereof;
- (f) any Person takes possession of any property of the Debtor Parties by way of or in contemplation of enforcement of security, or a distress or execution or similar process levied or enforced against any property of any of the Debtor Parties;
- (g) the occurrence of any other event which, in the opinion of HUK10, acting reasonably, may materially and adversely impact the priority or enforceability of the Security, or the realizable value of the collateral subject to the Security;
- (h) in the opinion of HUK10, acting reasonably, a material adverse change occurs in the business, affairs, financial condition, operation or ownership of the Debtor Parties, arising for any reason whatsoever;
- (i) the Debtor Parties fail to maintain current insurance or other material contracts;
- (j) the Debtor Parties cease to carry on business in the normal course in the same manner as such business has previously been carried on or as specifically amended by this Agreement or commit or threaten to commit an act of bankruptcy;
- (k) the Debtor Parties take any action or commence any proceeding or any action or a proceeding is taken or commenced by another Person or Persons against the Debtor Parties, which the Debtor Parties are not contesting, relating to the reorganization, readjustment, compromise or settlement of the debts owed by the Debtor Parties to their creditors, including, without limitation, the filing of a Notice of Intention to Make a Proposal under the BIA, the filing of an application for a bankruptcy order under the BIA (whether initiated by the Debtor Parties or any other Person), the application for an initial order under the CCAA or the commencement of any similar action or proceeding by any Person;

- (l) any of the Debtor Parties fails to meet its payroll obligations or does not have sufficient funds available to fund its payroll obligations, or fails to produce evidence, satisfactory to HUK10, acting reasonably, of the availability of such funds within one Business Day prior to the date that any payroll falls due; or
- (m) any of the Debtor Parties fails to meet or does not have sufficient funds available to fund its obligations for source deductions or HST, or fails to produce evidence satisfactory to HUK10, acting reasonably, of the availability of such funds within one Business Day prior to the date that any such obligations falls due; or
- (n) the expiration or termination of the Forbearance Period.

7.2 Actions Upon Intervening Event

Upon the occurrence of an Intervening Event, the Forbearance Period shall, at the sole option of HUK10, terminate and, if so terminated, the Creditors shall, subject to Section 2.6, be free to enforce any and all rights and remedies granted under the Indebtedness Documents, the PPSA or applicable law.

ARTICLE 8 GENERAL PROVISIONS

8.1 Further Assurances

The Parties shall execute and deliver such supplemental documents and take such supplemental action as may be necessary or desirable to give effect to the provisions and purposes of this Agreement, all at the sole expense of HVM.

8.2 Binding Effect

This Agreement shall be binding upon and enure to the benefit of each of the parties hereto and their respective applicable successors, permitted assigns, heirs, executors and administrators.

8.3 Survival of Representations and Warranties

All representations and warranties made in this Agreement or any other document furnished in connection herewith shall survive the execution and delivery of this Agreement and such other document delivered in connection herewith, and no investigation by the Creditors or any closing shall affect the representations and warranties or the rights of the Creditors to rely upon such representations and warranties.

8.4 No Novation

This Agreement will not discharge or constitute novation of any debt, obligation, covenant or agreement contained in the Indebtedness Documents but the same shall remain in full force and effect save to the extent amended by this Agreement.

8.5 Notice

Without prejudice to any other method of giving notice, any notice required or permitted to be given to a Party pursuant to this Agreement will be conclusively deemed to have been received by such Party on the day of the sending of the notice by prepaid private courier to such Party at its, his or her address noted below or by email at its, his or her email address noted below. Any Party may change its, his or her address for service or address by notice given in the foregoing manner.

- (a) Notice to any of the Debtors shall be sent to:

c/o HVM Canada Inc.
5401 Eglinton Ave. W #110
Etobicoke, ON M9C 5K6

Attention: Nick Williams
Email: nwilliams@hmv.ca

- (b) Notice to HUK10 shall be sent to:

Hilco Capital Limited
80 New Bond Street
London W1S 1SB

Attention: Chris Emmott and Matt Holt
Email: chris.emmott@hilcocapital.com and matthew.holt@hilcocapital.com


8.6 Execution in Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed to be an original and which taken together will be deemed to constitute one and the same instrument. Counterparts may be executed either in original, faxed or portable document format (“PDF”) form and the parties adopt any signatures received by a receiving fax machine or by emailed PDF as original signatures of the parties, provided, however, that any Party providing its signature in such manner will promptly forward to the other Party an original of the signed copy of the Agreement which was so faxed or emailed.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the date first above mentioned.


HMV CANADA INC.

By: 
Name: Nick Williams
Title: President

HUK 10 LIMITED

By: _____
Name: Paul McGowan
Title: Director

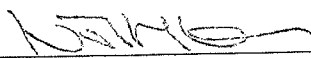
HMV IP HOLDINGS ULC

By: 
Name: Nick Williams
Title: President


RETAIL AGENTS 230 LIMITED

By: _____
Name: Paul McGowan
Title: Director

HMV DIGITAL HOLDINGS ULC

By: 
Name: Nick Williams
Title: President

HMV PURE HOLDINGS ULC

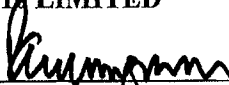
By: 
Name: Nick Williams
Title: President

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HMV CANADA INC.

By: _____
Name: Nick Williams
Title: President

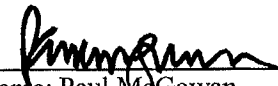
HUK 18 LIMITED

By:  _____
Name: Paul McGowan
Title: Director

HMV IP HOLDINGS ULC

By: _____
Name: Nick Williams
Title: President

RETAIL AGENTS 230 LIMITED

By:  _____
Name: Paul McGowan
Title: Director

HMV DIGITAL HOLDINGS ULC

By: _____
Name: Nick Williams
Title: President

HMV PURE HOLDINGS ULC

By: _____
Name: Nick Williams
Title: President

SCHEDULE A
DETAILS OF DIRECT INDEBTEDNESS TO CREDITORS

1. Indebtedness arising in respect of amounts advanced to the Debtor by HUK10 under the Second Amended and Restated Loan Agreement dated April 26, 2012 (as amended, restated, supplemented or replaced, from time to time, the “**HUK10 Loan Agreement**”).
2. Indebtedness arising from procurement fees owed by the Debtor to HUK10 for negotiation services made available under the Procurement Agreement made between HUK10 and the Debtor, as amended and restated on January 7, 2014.
3. Indebtedness arising from licensing fees owed by the Debtor to HVM IP for the use of certain intellectual property pursuant to the Sub-Sub-License Agreement made between HVM IP and the Debtor dated June 26, 2011 (the “**License Agreement**”);
4. Indebtedness arising from fees owing by the Debtor to RAL for sales assistance made available under that certain Deed of Novation re Assignment of Services Agreement and Agreement and Restated Sales Implementation Services Agreement between a predecessor to RAL and the Debtor dated November 21, 2012 (with effect as of September 24, 2012).

SCHEDULE B
DETAILS OF GUARANTEED INDEBTEDNESS TO HUK10

1. Indebtedness arising in respect of amounts advanced to HMV IP by HUK10 under the Loan Agreement made between HMV IP and HUK10 dated February 27, 2012, and all schedules thereto.
2. Indebtedness arising in respect of amounts advanced to HMV Pure by HUK10 under the Loan Agreement made between HMV Pure and HUK10 dated February 27, 2012, and all schedules thereto.
3. Indebtedness arising in respect of amounts advanced to HMV Digital by HUK10 under the Loan Agreement made between HMV Digital and HUK10 dated February 27, 2012, and all schedules thereto.

SCHEDULE C
INDEBTEDNESS AS OF DECEMBER 22, 2016

Debt	Amount
Direct Indebtedness owing by HVM to HUK10:	
Direct Loans under the HUK10 Loan Agreement	\$14,451,664.00
Procurement Fees	\$3,207,207.00
Direct Indebtedness owing by HVM to HVM IP	\$5,200,000.00
Direct Indebtedness owing by HVM to RAL	\$564,558.53.00
Guaranteed Indebtedness owing by HVM to HUK10:	
HVM IP to HUK10	\$1,481,264.16
HVM Pure to HUK10	\$5,546,070.67
HVM Digital to HUK10	\$2,567,906.88
Total Guaranteed Indebtedness	\$9,595,241.71
Total Indebtedness:	\$33,018,671.24

**SCHEDULE D
SECURITY**

1. General Security Agreement made between the Debtor and HUK10 dated June 28, 2011.
2. Deed of Hypothec made between the Debtor and HUK10 dated June 28, 2011.
3. General Security Agreement made between the Debtor and HVM IP dated January 19, 2015.
4. Deed of Hypothec made between the Debtor and HVM IP dated January 19, 2015.
5. General Security Agreement made between the Debtor and RAL dated January 19, 2015.
6. Deed of Hypothec made between the Debtor and RAL dated January 19, 2015.

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