

Terms and Conditions of Trade

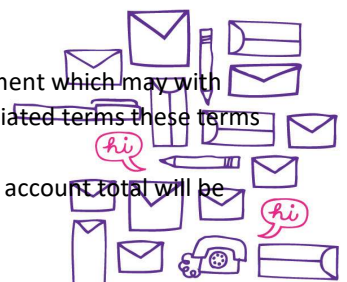
1. Definitions “Hallmark Cards” means you. “Customer” means we, our or us. Terms and Conditions mean these terms and conditions, as amended, modified, consolidated or replaced from time to time. They apply to any goods or services supplied or financial allowances to be supplied to us or any third party at our request. Everyday product is general boxed and loose cards, roll wrap, flat wrap and stationery. Everyday product is sold on a firm sale basis and is not returnable. Seasonal product refers to boxed and loose cards, roll wrap and gift packaging, which is sold specifically for a recognised annual event. Firm Sale product includes Gift lines, Innovation, Recordable Story Books, Story Buddies, Ornaments, non-Hallmark branded product, and Special purchases and is not returnable, non-Hallmark branded product is defined as any product that does not carry the “Hallmark” brand, including Creative Publishing, Private Label and Catalogue product. Goods mean any goods you supply us whether on consignment or otherwise under these Terms and Conditions. They include goods described on any invoice, quotation, work authorisation or any other forms you provide us or any order we give you. GST means any goods and services or similar tax, together with any related interest, penalties, fines or other charge. Tax invoice, taxable supply and value have the meaning given to them by the GST Law. GST Law means A New Tax System (Goods and Services Tax) Act 1999 (Cth). Guarantor means that person, or entity, who agrees to be liable for our debts whether on a principal debtor basis or who is otherwise a surety of ours. The singular includes the plural and the converse. A gender includes all genders. Defined terms include their corresponding grammatical forms. Event of Default means:

a) An Insolvency Event occurs or is continuing; (b) We breach any other provision of these Terms and Conditions and fail to cure it within five (5) business days’ notice from you to do so. “Default” has a corresponding meaning. Insolvency Event:- a) An administrator is appointed to us or any guarantor b) Except for the purpose of a solvent reconstruction or amalgamation previously approved by you:- (A) An application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting, an application to a court or other steps are taken for:- (1) Our winding up, dissolution or administration or any guarantor; or

2. We or any guarantor entering into an arrangement, compromise or composition with or assignment for the benefit of our creditors or a class of them; or (B) We cease, suspend or threaten to cease or suspend the conduct of all or a material part of our business or dispose of or threaten to dispose of a material part our assets. c) We or any guarantor is, or under legislation is presumed or taken to be, insolvent or cease to carry on our business; d) A receiver, receiver and manager, administrative receiver or similar officer is appointed in respect of us or any guarantor; and e) Any distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of our assets or any guarantor and is not discharged or stayed within 20 business days. “PPSA” means the Personal Property Securities Act 2009 (Cth). The expressions account, collateral, financing statement, financing charge Statement, inventory proceeds, purchase money security interest (PMSI), security agreement, security interest, verification statement have the meanings given by the PPSA. Without limitation, security interest means its natural meaning. It also applies to all land and licences and personal property that is not personal property covered by the PPSA.

2. Payment Terms, Discounts & Rebates, Claims, Price & Payment

- Payment of all goods is to be made within thirty (30) days from the end of the month in which the invoice is dated, unless otherwise agreed in writing;
- Payment on account must not be withheld pending credits for returns or otherwise;
- Franchise outlets are subject to trading terms negotiated by their franchise management which may with the approval of you, override the standard trading terms. In the absence of such negotiated terms these terms shall apply;
- Where payment is made within trading terms, a settlement discount of 2.75% of the account total will be



granted unless otherwise agreed in writing.

- e) The amount of settlement discount may fluctuate or vary depending on prevailing bank interest rates;
- f) Settlement discount only applies to account payments made in full. Short paid accounts do not qualify for this discount unless the short payment is claim related and authorized by you;
- g) Invoices for Gift lines, Recordable Story Books, Story Buddies, Special Purchases, non-Hallmark branded product and any invoice which specifies *NO DISCOUNT* are excluded from settlement discount.
- h) We must pay for any goods by the date stated in the relevant invoice in cash, bank cheque, credit card or by electronic means free of any set off, counterclaim or any other deduction. You may allocate payments in any manner you choose.
- i) The price of all goods is the amount shown in any invoice and is inclusive of GST except where the price is expressed to be exclusive of GST
- j) We will pay interest compounded monthly on any overdue account shown in any invoice at the rate prescribed by the Penalty Interest Rates Act 1983 (Vic) plus 2%; and
- k) You may increase the price of any goods ordered by us at any time arising as a result of any increased costs passed on to you by any supplier of yours or as a result of any change of law, including increases in any taxes.

2.1 Volume Incentive Discount (VID) rebate

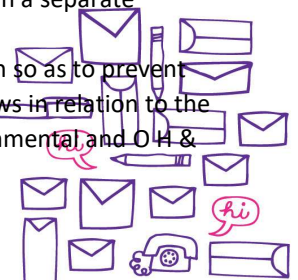
- a) VID is calculated annually on net qualifying purchases, commencing from date of first invoice (being the "Anniversary date") unless otherwise specified or agreed in writing;
- b) VID payment is applied to the trading account, unless otherwise specified or agreed in writing;
- c) Payment of VID is subject to and depending on payments received within trading terms of thirty (30) days for the period of VID calculation.
- d) Failure to adhere to the trading terms may result in non-payment of VID, this being at the discretion of the Hallmark Credit Department;
- e) Referral to a collection agency at any time will result in the cancellation of VID payment; and
- f) VID will not be granted where we cease trading within the first twelve (12) months.

2.2 Credit Claims

- a) Claims for short supply of goods or defective goods must be notified to your representative within fourteen (14) days of receipt of stock
- b) Claims for services which have been requested by us but which have not been inadequately performed must also be notified to your representative within fourteen (14) days from the date on which such services were provided or due to be provided
- c) Monthly statements are provided as a means of reconciliation only and any claims regarding such statements must be notified to your Credit Department in writing, or by telephone
- d) Payment may not be held in the event of pending credits for returned stock without prior approval from your Credit Department. If we believe that you should issue us a credit, please discuss this with your Account Manager. Your representative will issue the necessary documents for any credit owed to you.

3. Risk and Title

- a) Risk in any goods passes to us on delivery
- b) Title remains with you until we have paid you for all goods supplied in full and in cleared funds
- c) Until title passes to us, we will hold any goods supplied to us on trust and as bailee for you
- d) We agree that any proceeds of any sub-sale to any customer of ours will be held in trust in a separate account until the amount we owe to you at any time for those goods is paid to you
- e) We must store any goods belonging to you separately from other goods in our possession so as to prevent any deterioration and clearly mark them as your goods. We must comply with all applicable laws in relation to the transportation, delivery, handling and storage of any goods. Without limitation, any environmental and O H & S laws; and



f) We agree to instruct any customer or agent of ours in relation to the proper and safe handling, carriage or storage of any goods, including compliance with any O H & S or environmental laws.

4. Delivery

- a) In the event of any dispute arising from any order including telephone, facsimile or computer-generated order, your internal records shall be conclusive evidence of what was ordered in all respects
- b) Delivery to us will be at our premises or as requested by us. If not collected after fourteen (14) days of any nominated delivery date, we must pay all storage costs. You will not be liable for any delays
- c) All expenses relating to delivery, insurance, transit or storage of goods after delivery to us will be at our cost.
- d) You may stop goods in transit whether or not delivery has been made to us if we are in default at any time;
- e) Once delivered goods may not be returned without approval by you unless defective or damaged in transit. Claims for defective or damaged goods must be given to you in writing within fourteen (14) days of delivery date or invoice date, whichever is the earlier. You will not be liable for any claim advised after that time; and
- f) We irrevocably authorise you and any of your lawful agents, at any reasonable time, to enter our premises or any premises occupied by us or our agents and re-take any goods and then to re-sell those goods and retain the proceeds of the sale without prejudice to your rights to claim the balance of all moneys due. We indemnify you in respect of any such entry. The provisions of this clause survive the termination of any security agreement that arises in respect of these Terms and Conditions.

5. Credit Card Authority

- a) Service fee of 1.5% applies for all Visa and MasterCard payments and will be charged at the time of processing our payment
- b) Service fee of 2.2% applies for all AMEX payment and will be charged at the time of processing our payment;
- c) Settlement discount will be reduced by the above rates, providing the transaction is received on or before the due date.

6. Credit Limits

- a) Hallmark reserves the right to institute, amend or withdraw at any time a credit limit for us at Hallmark's own discretion and without liability to us or any person or entity; and
- b) We agree to pay on demand all sums owing in connection with the credit facility in the event the credit facility is withdrawn

7. Intellectual Property

We agree that all designs, editorial and other intellectual property employed in the preparation, manufacture and sale of product shall be and remain the property of Hallmark and its licenced partners.

8. Point of Sale Material and Display Equipment

- a) We agree that upon cancellation of this trading arrangements all fixtures, spinners and other display equipment provided "on loan" will be charged to us, or removed from store
- b) We agree to take down from the store and destroy all point of sale materials upon cancelation of this trading arrangement; and
- c) All display equipment should be returned and Point of Sale material destroyed within fourteen (14) days of cancellation of this trading arrangement.

9. Security agreement

We agree that these Terms and Conditions, including any order and invoice covering any goods supplied to us, and any financial allowances, together constitute a security agreement for the purposes of the PPSA.

10. Security Interest

10.1 We give you a security interest in:

- a) All goods supplied by you that are described in any invoice, delivery documentation of yours or order



documentation that we give you

- b) Any financial allowances paid to us by you
- c) All present and future inventory and accounts as original collateral; and
- d) All present and future property of ours including real property. We agree that you may lodge a caveat against any real property. We agree to give you a mortgage in respect of any of real property in registrable form if required by you; and
- e) The security interest given by us is given as beneficial owner. If we are trustee of any trust, we acknowledge that the security interest given by us applies to the assets of the trust and our personal assets. We appoint you our attorney by way of security for the purposes of this clause and in respect of any enforcement powers.

10.2 Any security interest that arises under this clause is a continuing security interest. It applies to all real property, personal property and any proceeds. It is not extinguished or in any way diminished even if any goods or any part of them is processed or commingled with and becomes part of a product or a mass as part of a manufacturing, assembling or commingling process;

10.3 Any security interest arising secures the due and punctual payment of all moneys payable by us takes effect as a transfer;

10.4 You may register a financing statement, including any financing change statement, on the PPSR. We will reimburse you for any costs and expenses and other charges incurred by you in registering them. We irrevocably waive any rights to receive a copy of any verification statement;

10.5 We acknowledge that until we have paid for all goods we are not the owner of those goods and, as such, if chapter 4 of the PPSA applies to these Terms and Conditions, then we contract out of the enforcement provisions referred to in s 115(1), except sections 120 and 121.

11. Enforcement

11.1 If an Event of Default occurs or is continuing, you may immediately enforce these Terms and Conditions. Without limitation this includes:

- a) Retaking possession of any goods not paid for by us
- b) Suspending delivery of any goods on order and/or refusing to process any unfulfilled order
- c) Enforcing any security interest
- d) Requiring payment in cash on delivery.; requiring payment of any proceeds held by us in a separate account or otherwise; and
- e) Appointing a receiver and manager of any of our real or personal property that is subject to a security interest. We agree that any such receiver and manager has the powers conferred by the Corporations Act
- f) Recover financial allowances paid to us by you.

11.2 The powers exercisable by you are those given by these Terms and Conditions, including the PPSA, at law or in equity

11.3 In the event that we have not been paid for the sale of your goods by any customer of ours, at your option, you may in addition to the powers in s 120 of the PPSA, collect that account on giving our customer notice in writing to that effect. You will be entitled to issue proceedings in our name against our customer for recovery of that account for your benefit. We indemnify you in respect of any such action and proceedings. For the purposes of this clause, we must keep proper records and accounts in respect of such unpaid sales, including the dates of sale, price, amount and identity of such customer and your goods

11.4 You may in your discretion despite s 14(6) of the PPSA apply any moneys received in respect of any PMSI obligations of ours on a pro rata basis; and



11.5 We will pay your enforcement costs and those of any agent of yours including legal costs on an indemnity basis.

12. Negative pledge

12.1 We agree not to grant any security interest over any of our personal property except in the ordinary course of business; and

12.2 We agree not to grant a security interest in any account as original collateral under s 64 of the PPSA.

13. Force Majeure

You are not liable for any delay or the failure to perform any obligation in our favour arising as a result of a force majeure event.

14. Confidentiality

14.1 Any security agreement that arises under these Terms and Conditions is confidential. Despite this, we agree that you may disclose any information concerning us to any interested person under s 275(6) of the PPSA;

14.2 We acknowledge and agree that the content of these Terms and all matters relating to it including sales or financial information supplied by you are confidential. We must not disclose or permit the disclosure of the confidential information to any person, company or entity without the prior written consent by you. We will take such steps to do all such things as may be necessary, prudent or desirable to safeguard the confidential information, ensure its personnel who may have access to the confidential information fully adhere to this clause and will not make or allow to be made copies or extracts of all or any part of the confidential information.

15. General

15.1 We will tell you if we change our name, any of our officers or management, our registered office, become a trustee of any trust or, cease to be so, or the constitution of any partnership of which we are a member change within fourteen (14) days of the change occurring

15.2 Any certificate signed by you, any director or any person authorised by you as to the amount due and payable by us is sufficient evidence of our liability to you under these Terms and Conditions as at the date of any such certificate unless proven wrong

15.3 If any provision of these Terms and Conditions is unenforceable for any reason, it will not invalidate any other provisions which will remain in full force and effect despite that invalidity

15.4 These Terms and Conditions contain the entire agreement in respect of the supply of goods and/or financial allowances to us.

15.5 You may at any time set off any amount you owe us against any amount payable by us to you whether or not the amount we owe you is due and payable or actually or contingently payable by us.

16. Governing Law

These Terms are governed by the laws of Victoria. We submit to the non-exclusive jurisdiction of any Victorian court and waive any rights to claim that courts there are an inconvenient forum.

17. Notices

17.1 Any notice required under these Terms and Conditions may be given by any party, any director or authorised person of that party; and

17.2 Any notice may be given at that party's registered address or other address stipulated in application in connection with these Terms and Conditions or as notified in writing.

18. Time

For the purposes of any payment obligation of ours under these Terms and Conditions, time is of the essence.



19. Survival of indemnities

19.1 Each indemnity and payment obligation of ours under these Terms and Conditions is a continuing obligation, separate and independent from all other obligations, and survives termination of these Terms and Conditions

19.2 It is not necessary for you to incur expense or make a payment before enforcing a right of indemnity.

20. Exclusion of implied terms to the extent permitted by law, you exclude all conditions, warranties, terms and consumer guarantees implied by law (including the Australian Consumer Law) arising in connection with a supply of goods or services. To the extent permitted by law, you limit your liability in your discretion to replacing the goods or supplying equivalent goods, or, in the case of services, by supplying limitation of liability.

21. Limitation of Liability

To the extent permitted by law, you exclude any liability in contract, tort (including negligence) or otherwise, in connection with the supply of goods and services for an indirect damages or losses, or for any special, punitive or exemplary damages. This includes any liability for a claim that the goods are not fit for a particular purpose, except where the goods are consumer goods or services in which case your liability is limited as under clause 20.

