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Modification to Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing

PREPARER INFORMATION:

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RETURN DOCUMENT TO:

Schulte Roth & Zabel LLP
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New York, New York 10022
Attn: Joshua Cohen, Esq.
212.756.2176
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GRANTOR: Paladin Brands Group, Inc.
GRANTEE: Regiment Capital Special Situations Fund V, L.P.

LEGAL DESCRIPTION: See attached Exhibit "A" see page 8

BOOK AND PAGE REFERENCE: Book 2011, Page 3613

PREPARED BY AND AFTER
RECORDING RETURN TO:

Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022
Attention: Joshua Cohen, Esq.
Ref: 059182.0037
NC3-545422-IA1A

MODIFICATION TO MORTGAGE, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING

made by

PALADIN BRANDS GROUP, INC.
(Mortgagor)

in favor of

REGIMENT CAPITAL SPECIAL SITUATIONS FUND V, L.P.
as Collateral Agent (Mortgagee)

Property Location:

503 Gay Street, Delhi, Iowa

Dated as of July [24], 2012

MODIFICATION TO MORTGAGE, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING

THIS MODIFICATION TO MORTGAGE, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "**Modification**"), made as of the [24] day of July, 2012, between PALADIN BRANDS GROUP, INC., a Delaware corporation, having its principal place of business at 5825 Council Street NE, Cedar Rapids, IA 52402, Attention: Steve Klyn ("**Mortgagor**"), and REGIMENT CAPITAL SPECIAL SITUATIONS FUND V, L.P., a Delaware limited partnership, having its principal place of business at 222 Berkeley Street, 13th Floor, Boston, Massachusetts 02116, Attention: Suzanne Grosso, as collateral agent (in such capacity, together with any successors and assigns, "**Mortgagee**"), for itself and for each of the lenders and their respective successors and assigns which from time to time shall be a "**Lender**" and collectively, the "**Lenders**" under the Financing Agreement (as hereinafter defined).

W I T N E S S E T H:

WHEREAS, Mortgagor is the owner and holder of fee simple title in and to the land described on Exhibit A attached hereto and made a part hereof and all rights, titles and interests appurtenant thereto (collectively, the "**Land**");

WHEREAS Mortgagor, (Mortgagor, together with each affiliate and/or subsidiary of Mortgagor listed as Borrower or who joined as Borrower pursuant to a joinder agreement, individually and collectively, jointly and severally, the "**Borrower**"), the Guarantors, the Lenders, Mortgagee, as Collateral Agent for the Lenders, and PNC Bank, National Association, as Administrative Agent for the Lenders entered into that certain Financing Agreement, dated as of September 28, 2011 (the "**Original Financing Agreement**")

WHEREAS, Mortgagor, Borrower, the Guarantors, the Lenders, Mortgagee, as Collateral Agent for the Lenders, and PNC Bank, National Association, as Administrative Agent for the Lenders entered into that certain Amended and Restated Financing Agreement, dated as of June 1, 2012 ("**Amended and Restated Financing Agreement**"), thereby amending and restating the Original Financing Agreement in its entirety.

WHEREAS, pursuant to the Amended and Restated Financing Agreement, the Lenders extended a credit facility to the Borrowers consisting of (a) a Term Loan A-1 with an outstanding principal balance of $147,750,000 ("**Existing Term Loan A-1**") (b) a Term Loan A-2 with an outstanding principal balance of $85,000,000 ("**Existing Term Loan A-2**") and (c) a revolving credit facility in an aggregate principal amount not to exceed $80,000,000 ("**Existing Revolving Loan**") at any time outstanding which included a subfacility for the issuance of letters of credit (the Existing Term Loan A-1, Existing Term Loan A-2, and the Existing Revolving Loan, shall collectively be referred to herein as the "**Existing Loans**");

WHEREAS, Mortgagor delivered to Mortgagee a security interest in and a first mortgage lien upon the Mortgaged Property, as defined in and pursuant to that certain Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of November 9, 2011 (as the same now exists and may be amended, modified, supplemented, extended,

renewed, restated or replaced, the "**Mortgage**"), with respect to the Land, which Mortgage was recorded on November 10, 2011 with the Delaware County Clerk's Office in Book 2011, Page 3613;

WHEREAS, the Borrowers have requested that the Lenders and the Agents amend the Amended and Restated Financing Agreement in order to, among other things, (a) borrow an additional term loan in the aggregate principal amount of $[_____] from the Lenders as the Term Loan A-3, and (b) increase the Existing Revolving Loan from $80,000,000 to $100,000,000 as the Revolving Loan (together with the Existing Term Loan A-1, Existing Term Loan A-2 and Term Loan A-3, shall collectively be referred to hereinafter as the "**Loans**" or each a "**Loan**") (as such agreement, may be further amended, restated, supplemented, modified or otherwise changed from time to time, including any replacement agreement therefor, the "**Financing Agreement**");

WHEREAS, Mortgagor derives direct economic benefit from the Loans; and

WHEREAS, the Lenders require that Mortgagor enter into this Modification in order to preserve the Lender's security interest in and first mortgage lien upon the Mortgaged Property and to secure (a) the payment of all of the obligations of Mortgagor under the Amended and Restated Financing Agreement, the Mortgage, the Guaranty and the other Loan Documents (as defined in the Mortgage), and (b) the performance of all terms, covenants, conditions, provisions, agreements and liabilities contained in the Amended and Restated Financing Agreement, the Mortgage, the Guaranty and the other Loan Documents.

NOW, THEREFORE, in order to comply with the terms and conditions of the Financing Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mortgagor hereby agrees with Mortgagee to modify the Mortgage as follows:

1. Ratification of Mortgage. Mortgagor and Mortgagee hereby ratify the Mortgage and confirm that the Mortgage continues to secure the Loans described in the Amended and Restated Financing Agreement, as the same may be amended, modified, supplemented, extended, renewed, restated or replaced and in effect from time to time.

2. References to the Loan. All references to the term "Loan" or "Loans" in the Mortgage shall hereafter be deemed to have the respective meanings set forth in the Recitals hereto.

3. References to the Aggregate Principal Amount of the Term Loan: All references to the aggregate principal amount of the Term Loan of $232,750,000 shall be replaced by the new total principal amount of $[_____].

4. References to the Aggregate Principal Amount of the Revolving Loan: All references to the aggregate principal amount of the Revolving Loan of $80,000,000 shall be replaced by the new total principal amount of $100,000,000.

5. Representations and Warranties. By Mortgagor's execution and delivery of this Modification, Mortgagor hereby renews and remakes for the benefit of Mortgagee, as of

the date hereof, all of the representations, warranties and covenants made by Mortgagor in the Mortgage, with the same effect as if they were made on and as of the date of this Modification.

6. General Modification to Loan Documents - Disclaimer of Liens for Revolving Lenders in Delhi, IA Real Estate. Notwithstanding anything to the contrary contained in the Financing Agreement (specifically including Section 4.03 thereof) or any other Loan Document, the parties hereto agree that the Liens and Mortgages granted by the applicable Loan Parties to the Collateral Agent with respect to the Land shall not secure any Obligations owing to PNC Bank, National Association, its successors or assigns, or any of their respective affiliates (collectively, the "**PNC Parties**"), in any of the respective capacities as a Revolving Lender, a Bank Product Provider, L/C Issuer or Administrative Agent, and all proceeds of the Land shall secure and be applied to the Obligations owing to the other Lenders and the Collateral Agent in accordance with the provisions of the Loan Documents. To the extent any provision of the Loan Documents is inconsistent with the foregoing, such provision shall be deemed amended to the extent necessary to give effect to the foregoing.

7. Defined Terms. Any capitalized term used herein and not defined in this Modification shall have the meaning ascribed to such term in the Financing Agreement.

8. Priority of Lien. Nothing contained in this Modification is intended to impair or diminish the priority or validity of the lien created by the Mortgage.

9. Applicable Law. THIS MODIFICATION SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE APPLICABLE LAWS AS SET FORTH IN SECTION 8.11 OF THE MORTGAGE.

10. Counterparts. This Modification may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

11. Ratification. Except as modified by this Modification, all other terms, conditions, covenants, representations and warranties contained in the Mortgage shall remain unmodified and in full force and effect and are hereby ratified by the parties hereto.

12. Execution by Mortgagee. Mortgagee joins in the execution of this Modification to evidence its knowledge and consent hereto.

13. Successors and Assigns. All of the terms hereof shall apply to, be binding upon and inure to the benefit of the parties hereto, their successors, assigns, heirs and legal representatives, and all other persons claiming by, through or under them.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, Mortgagor and Mortgagee have executed this Modification as of the date first above written.

"MORTGAGEE"

REGIMENT CAPITAL SPECIAL SITUATIONS FUND V, L.P.
a Delaware limited partnership

By: _____
Name: Richard Miller
Title: Authorized Signatory

ACKNOWLEDGEMENT

STATE OF Massachusetts)
) SS:
COUNTY OF Suffolk.)

On this 13th day of July, 2012 before me, the undersigned, a Notary Public in and for the State of Massachusetts, personally known, who, being by me duly sworn, did say that he/she is Richard Miller, the Authorized Signatory of REGIMENT CAPITAL SPECIAL SITUATIONS FUND V, L.P., a Delaware limited partnership, and that the instrument was subscribed, sworn to, acknowledged, signed and sealed by him/her on behalf of said limited partnership and that the foregoing signatory acknowledged the execution of the instrument to be the voluntary act and deed of said limited partnership.

IN TESTIMONY WHEREOF, I have hereunto set by hand and affixed my official seal in the County and State aforesaid, the day and year first above written.

_____
Notary Public
(Seal)

My commission expires: April 20, 2018

ERMELINDA GROFF
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
April 20, 2018

IN WITNESS WHEREOF, Mortgagor and Mortgagee have executed this Modification as of the date first above written.

MORTGAGOR:

PALADIN BRANDS GROUP, INC.
a Delaware corporation

By: _____
Name: Steve Klyn
Title: Chief Financial Officer

ACKNOWLEDGEMENT

STATE OF Minnesota)
) SS:
COUNTY OF Olmsted)

On this 12th day of July, 2012 before me, the undersigned, a Notary Public in and for the State of Minnesota, personally known, who, being by me duly sworn, did say that he/~~she~~ is Steve Klyn, the Chief Financial Officer of PALADIN BRANDS GROUP, INC., a Delaware corporation, and that the instrument was subscribed, sworn to, acknowledged, signed and sealed by him/her on behalf of said corporation, and that the foregoing signatory acknowledged the execution of the instrument to be the voluntary act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set by hand and affixed my official seal in the County and State aforesaid, the day and year first above written.

_____
Notary Public
(Seal)

KATHLEEN F. KUBIK
Notary Public-Minnesota
My Commission Expires Jan 31, 2015

My commission expires: _____

EXHIBIT A

Legal Description

Tract A:

Lots Five (5), Six (6) and Seven (7), Block Sixteen (16), and Lots One (1), Two (2), Three (3), Four (4), Seven (7), Eight (8), Nine (9) and Ten (10), Block Eighteen (18), Delhi, Iowa and that part of vacated Sixth Street in said Town of Delhi, Iowa lying South of the extended center line of Gay Street and North of the railroad right-of-way, according to plat recorded in Book A L.D., Pages 128-129; and that part of the Southeast Quarter (SE 1/4) of the Southwest Quarter (SW 1/4) of Section Seventeen (17), Township Eighty Eight (88) North, Range Four (4), West of the Fifth P.M. described as commencing at the intersection of the center line of Gay Street with the West line of Sixth Street in the Town of Delhi, Iowa, and running thence West to the East line of Anamosa and Garnavillo State Road, thence Southwesterly along said road to the North Line of the railroad right-of-way, thence Southeasterly along said railroad right-of-way to its intersection with the West line of said Sixth Street, thence North to the point of beginning, except that part described as commencing at the intersection to the North line of the railroad right-of-way with the East line of the Anamosa and Garnavillo State Road and running thence Southeasterly along said railroad right-of-way two hundred fifty (250.0) feet, thence Northwesterly to a point on the East line of said Anamosa and Garnavillo State Road which is one hundred seventy five (175.0) feet from the point of beginning, thence Southwesterly along the East line of said road one hundred seventy five (175.0) feet to the point of beginning; and Lot One (1) of the Subdivision of the Northwest part of the Northwest Quarter (NW 1/4) of the Northeast Quarter (NE 1/4) of Section Twenty (20), Township Eighty Eight (88) North, Range Four (4), West of the Fifth P.M., according to plat recorded in Book A Plats, Page 49; also Fifth Street between the South side of Market Street and the North side of Gay Street, and Fifth Street between the South side of Gay Street and the North side of South Street, and South Street between the East line of Fifth Street and the West line of Sixth Street and the alley in Block Eighteen (18); all in Delhi, Iowa, according to plat recorded in Book A L.D., Pages 128-129, all in Delaware County, Iowa, Except Parcel AA, a part of Lot 7, Block 16, Original Town of Delhi, Delaware County, Iowa, according to the Plat of Survey recorded in Book 2010, Page 1686.

Tract B:

Parcel I, Part of the NE 1/4 of the NW 1/4, Section 20; Parcel J, Part of the NW 1/4 of the NE 1/4, Section 20; Parcel K, Part of Lot 2 of the Sub. of the NW 1/4 of the NE 1/4, Section 20; Parcel H, Part of Parcel G in Sections 17 and 20; all in Township 88 North, Range 4 West of the Fifth P.M., City Delhi, Delaware County, Iowa, according to plat recorded in Book 2000, Page 506, except Parcel O, Part of Parcel H in Section 17 and 20, Township 88 North, Range 4 West of the Fifth P.M., City of Delhi, Delaware County, Iowa, according to plat recorded in Book 2000, Page 1290; also Parcel N, Part of the SE 1/4 of the SW 1/4 of Section 17 and Part of the NE 1/4 of the NW 1/4 of Section 20, all in Township 88 North, Range 4 West of the Fifth P.M., City of Delhi, Delaware County, Iowa, according to plat recorded in Book 2000, page 880; and also Parcel C, Part of the SE 1/4 of the SW 1/4 of Section 17, Township 88 North, Range 4 West of the Fifth P.M., City of Delhi, Delaware County, Iowa, according to plat recorded in Book

2000, Page 1290.

Tract C:

Parcel Q in the Southeast Quarter of the Southwest Quarter of Section 17, Township 88 North, Range 4, West of the 5th P.M. and Parcel S in the Northeast Quarter of the Northwest Quarter of Section 20, Township 88 North, Range 4 West of the 5th P.M., all in the City of Delhi, Delaware County, Iowa, according to the plat recorded in Book 2004, Page 2484.