

SMART
TOYS AND GAMES



INTERNET SALES AND PRICING POLICIES **Effective January 1, 2017**

ONLINE CHANNELS OF DISTRIBUTION POLICY

Smart Toys and Games, Inc. unilaterally adopts this Online Channels of Distribution Policy, which will remain valid until further notice (hereinafter, the “OCOD Policy”):

The OCOD Policy is being adopted to maintain the brand image of Smart Toys and Games, Inc. products, to maintain Smart Toys and Games, Inc. distribution strategy, to encourage retailers to make tangible and intangible investment in the Smart Toys and Games, Inc. brand, and to prevent retailers who do not invest in Smart Toys and Games, Inc. products from free riding on the efforts of retailers who do invest in its products.

The OCOD Policy applies to all of its customers that seek to sell any and all Smart Toys and Games, Inc. products via online sources.

Pursuant to the OCOD Policy, customers may not utilize third-party websites (i.e., websites or other online channels or conduits that are operated by entities other than that particular customer) to accomplish, memorialize, or otherwise effectuate the sale of Smart Toys and Games, Inc. products.

Pursuant to the OCOD Policy, a customer may use its own website, or its own online sources, for the purposes of selling Smart Toys and Games, Inc. products.

Pursuant to the OCOD Policy, a customer may utilize third-party websites to advertise Smart Toys and Games, Inc. products for sale. However, the actual transaction representing the sale of the Product or Products must be accomplished through that particular customer’s own website in order to comply with this OCOD Policy.

A customer violates the OCOD Policy if it resells Smart Toys and Games, Inc. products to sellers that utilize third-party websites for the sale of such products.

MINIMUM ADVERTISED PRICING POLICY

Smart Toys and Games, Inc. unilaterally adopts this Minimum Advertised Pricing Policy, which will remain valid until further notice (hereinafter, the “MAP Policy”).

The MAP Policy is being adopted to maintain the brand image of Smart Toys and Games, Inc. products, to maintain Smart Toys and Games, Inc. distribution strategy, to encourage retailers to make tangible and intangible investment in the Smart Toys and Games, Inc. brand, and to prevent retailers who do not invest in Smart Toys and Games, Inc. products from free riding on the efforts of retailers who do invest in its products.

The MAP Policy applies only to prices advertised on the Internet for certain Smart Toys and Games, Inc. products that Smart Toys and Games, Inc. will specify as covered by the Policy (the "MAP Products"). A current list of MAP Products is attached hereto as the "Smart Toys and Games, Inc. 2013 Price List." Smart Toys and Games, Inc. may delete, add, or modify the products subject to the MAP Policy at its sole discretion.

The MAP Policy does not apply in any way to the customer's selling price; that is, the price that the customer ultimately pays. A customer is free to sell all Smart Toys and Games, Inc. products, including the MAP Products, at any price it chooses.

The MAP Policy is applicable to all Internet Advertised Prices for the MAP Products. An "Internet Advertised Price" is defined as the price for a product shown on a web browser search, customer home page, or content on a webpage within the customer's site or domain. "Internet Advertised Price" does not include the price a customer receives in response to a "Call for Price," "E-mail a price," or "See checkout for price" feature on a website.

Pursuant to the MAP Policy, Smart Toys and Games, Inc. customers may not advertise or otherwise promote MAP products on the Internet at a Net Internet Advertised Price lower than 10% plus \$0.05 below Smart Toys and Games, Inc. Manufacturer's Suggested Retail Price ("MSRP"). For the purposes of the MAP Policy, "Net Internet Advertised Price" means the stated price reduced by the value of any associated discount, coupon, or allowance (other than shipping allowances) shown in an advertisement.

A customer violates the MAP Policy if it resells MAP products to sellers whose Internet Advertised Prices do not comply with this MAP Policy.

REMEDIES FOR BREACH OF MAP POLICY OR OCOD POLICY

If a customer violates any term of either the MAP Policy or the OCOD Policy once, Smart Toys and Games, Inc. will not ship, for a period of three months, the customer any Smart Toys and Games, Inc. product. The decision to reinstate a customer's status as an "active customer" after the three-month suspension will be at the sole discretion of Smart Toys and Games, Inc. Smart Toys and Games, Inc. does not ask for, nor will it accept, any assurances of future compliance with the MAP Policy and/or the OCOD Policy as a condition for reinstatement. Smart Toys and Games, Inc. also reserves the right to pursue any remedies that are available at law or equity stemming from a violation of the MAP Policy and/or the OCOD Policy.

Smart Toys and Games, Inc. has adopted both the MAP Policy and the OCOD Policy unilaterally. The MAP Policy and the OCOD Policy do not constitute any agreement between Smart Toys and Games, Inc.

and the customer. They are unilateral statements of Smart Toys and Games, Inc.'s policies concerning the mechanisms and avenues through which its line of products may be sold.

Smart Toys and Games, Inc. employees, sales representatives, and any other perceived representatives are not authorized to engage in any discussion with customers about this Policy. Customers are requested to not discuss or otherwise engage with any Smart Toys and Games, Inc. employee, sales representative, or other Smart Toys and Games, Inc. representative about either the MAP Policy or the OCOD Policy and/or their application. Should you have any questions or inquiries about these Policies, however, please direct them in writing to:

President
Smart Toys and Games, Inc.
655 3rd Street
San Francisco, CA 94107

Smart Toys and Games, Inc. reserves the right at any time to change the terms and conditions of both the MAP Policy and the OCOD Policy.