

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event
reported) July 10, 2006 (July 3, 2006)

Build-A-Bear Workshop, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

001-32320

43-1883836

(State or Other
Jurisdiction of
Incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

1954 Innerbelt Business Center Drive
St. Louis, Missouri

63114

(Address of Principal Executive Offices)

(Zip Code)

(314) 423-8000

(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry Into a Material Definitive Agreement.

On July 3, 2006, Build-A-Bear Workshop, Inc. (the "Company"), most of its domestic subsidiaries and one U.K. subsidiary (collectively with the Company, the "Borrower") and one Canadian subsidiary entered into a Fifth Amendment to Loan Documents (the "Credit Agreement Amendment") with U.S. Bank National Association ("U.S. Bank"), which amends the Company's Third Amended and Restated Loan Agreement (the "Credit Agreement") with U.S. Bank. The Credit Agreement Amendment has an effective date of June 30, 2006.

The Credit Agreement Amendment provides for, among other things, a seasonal overline on the line of credit to be in effect from July 1 to December 31 of each year, during which period the line availability will be \$30 million. The available line of credit will continue to be \$15 million for the first half of each calendar year. In addition, the funded debt ratio covenant was reduced from 2:1 to 1.5:1, and the pricing was amended from prime minus 0.5% to the Borrower's option of prime minus 1.0% or LIBOR plus 1.5% (the "Pricing Option"). Finally, the negative pledge on all of the Company's assets contained in the Credit Agreement was amended to a "double" negative pledge, in which the Company agreed not to offer a negative pledge on any of its assets to other parties. Except as indicated above, the Credit Agreement Amendment carries forward the terms of the Credit Agreement, which are described in the Company's Form 10-K for the 2005 fiscal year.

In connection with the Credit Agreement Amendment, the Borrower also entered into a Third Amended and Restated Revolving Credit Note (the "Amended Note") on July 3, 2006 with U.S. Bank, which amended and restated the Company's Second Amended and Restated Revolving Credit Note with U.S. Bank. The Amended Note accommodates the seasonal overline increase from \$15 to \$30 million and the Pricing Option described above. The Amended Note has an effective date of June 30, 2006.

Relationship to U.S. Bank

The Company has or may have had customary banking relationships with U.S. Bank based on the provision of a variety of financial services, including lending, commercial banking and other advisory services.

The foregoing description of the Credit Agreement Amendment and the Amended Note is only a summary of certain terms and conditions of these documents and is qualified in its entirety by reference to the Credit Agreement Amendment and the Amended Note, which have been filed as Exhibits 10.1 and 10.2 hereto and which are incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.1	Fifth Amendment to Loan Documents between Build-A-Bear Workshop, Inc., Build-A-Bear Workshop Franchise Holdings, Inc., Build-A-Bear Entertainment, LLC, Build-A-Bear Retail Management, Inc., and Build-A-

Bear Workshop UK Holdings Ltd., as borrowers, Build-A-Bear Workshop Canada, Ltd., and U.S. Bank National Association, as lender, entered into on July 3, 2006 with an effective date of June 30, 2006

10.2

Third Amended and Restated Revolving Credit Note by Build-A-Bear Workshop, Inc., Build-A-Bear Workshop Franchise Holdings, Inc., Build-A-Bear Entertainment, LLC, Build-A-Bear Retail Management, Inc., and Build-A-Bear Workshop UK Holdings Ltd., as borrowers, in favor of U.S. Bank National Association, as lender, entered into on July 3, 2006 with an effective date of June 30, 2006

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 10, 2006

By:

BUILD-A-BEAR WORKSHOP, INC.

/s/ Tina Klocke

Name: Tina Klocke

Title: Chief Financial Bear, Secretary and
Treasurer

EXHIBIT INDEX

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10.2	Third Amended and Restated Revolving Credit Note by Build-A-Bear Workshop, Inc., Build-A-Bear Workshop Franchise Holdings, Inc., Build-A-Bear Entertainment, LLC, Build-A-Bear Retail Management, Inc., and Build-A-Bear Workshop UK Holdings Ltd., as borrowers, in favor of U.S. Bank National Association, as lender, entered into on July 3, 2006 with an effective date of June 30, 2006

FIFTH AMENDMENT TO LOAN DOCUMENTS

BUILD-A-BEAR WORKSHOP, INC. ("BABWI"), successor by merger to BUILD-A-BEAR WORKSHOP, LLC, **BUILD-A-BEAR WORKSHOP FRANCHISE HOLDINGS, INC.** ("BABWF"), **BUILD-A-BEAR ENTERTAINMENT, LLC** ("BABE"), and **BUILD-A-BEAR RETAIL MANAGEMENT, INC.** ("BABRM"), and **BUILD-A-BEAR WORKSHOP UK HOLDINGS LTD.** ("BABWUK"), jointly and severally (individually and collectively, the "Borrower"), **BUILD-A-BEAR WORKSHOP CANADA, LTD.** ("BABWC") and **U.S. BANK NATIONAL ASSOCIATION**, formerly known as FIRSTAR BANK, NATIONAL ASSOCIATION ("Lender"), hereby agree as follows effective as of June 30, 2006 (the "Effective Date"):

1. **Recitals.**

- 1.1 Lender and Build-A-Bear Workshop, LLC entered into a Loan Agreement and related loan and security documents dated as of March 1, 2000 pursuant to which the Lender extended a revolving credit facility to the Borrower (the "Loan");
 - 1.2 Lender, Build-A-Bear Workshop, LLC and Build-A-Bear Workshop, Inc. entered into an assumption and amendment agreement dated as of April 3, 2000, whereby Build-A-Bear Workshop, Inc. assumed all of the obligations of its predecessor in interest, Build-A-Bear Workshop, LLC;
 - 1.3 Lender and Borrower amended the terms of the Loan by the First Amended and Restated Loan Agreement and related loan and security documents dated as of June 1, 2001 (the "First Loan Agreement");
 - 1.4 Lender and Borrower amended and restated the First Loan Agreement by the Second Amended and Restated Loan Agreement dated as of February 13, 2002 (the "Second Loan Agreement") and Borrower delivered to Lender in connection therewith the First Amended and Restated Revolving Credit Note and the First Amended and Restated Security Agreement;
 - 1.5 Lender and Borrower amended the Second Loan Agreement and related Loan Documents pursuant to the First Amendment to Loan Documents effective as of May 30, 2003 to add additional borrowers to the Loan Documents, to revise certain financial covenants in the Loan Documents, and to add BABWC as a guarantor of the obligations under the Loan Documents.
 - 1.6 Lender and Borrower amended the Loan Documents pursuant to the Second Amendment to Loan Documents effective as of December 31, 2003 to add an additional borrower.
 - 1.7 Lender and Borrower amended the Loan Documents pursuant to the Third Amendment to Loan Documents effective as of May 31, 2004.
 - 1.8 Lender and Borrower amended the Loan Documents pursuant to the Fourth Amendment to Loan Documents to change the name of BABWC.
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- 1.9 Lender and Borrower amended and restated the Second Loan Agreement by the Third Amended and Restated Loan Agreement dated as of May 31, 2005 (the "Loan Agreement") and Borrower delivered to Lender in connection therewith the Second Amended and Restated Revolving Credit Note (the "Prior Note") (the Prior Note and Loan Agreement, the Guarantee of BABWC, and all other loan and security documents executed in connection with the Loan from time to time are referred to herein as the "Loan Documents").
- 1.10 Lender and Borrower intend to amend the Loan Agreement by this Fifth Amendment to Loan Documents and to simultaneously amend and restate the Prior Note by a Third Amended and Restated Revolving Credit Note dated as of the date hereof.
- 1.11 Capitalized terms used herein and not otherwise defined will have the meanings given such terms in the Loan Agreement.

2. **Amendments.**

- 2.1 Shirts Illustrated, LLC has been merged into BABRM and is no longer a Debtor or Borrower under the Loan Documents.
- 2.2 BABWUK, with the consent of Lender, hereby assumes the duties and obligations of a Borrower under the Loan Documents and BABWUK hereby becomes a party to each of the Loan Documents to which any Borrower is a party. For all purposes of the Loan Documents, BABWUK shall be a "Borrower" or "Debtor", as applicable. BABWUK agrees to pay the Note in accordance with its terms and to keep and perform all of the covenants, obligations and conditions of the Loan Documents. Notwithstanding the foregoing, each of the representations and warranties, and affirmative covenants in Sections 4 and 5 of the Loan Agreement, respectively, shall apply to BABWUK only to the extent each is not specific to the laws of the United States. In addition, BABWUK shall not be required to comply with Section 5.12 of the Loan Agreement.
- 2.3 Section 2.1.1 of the Loan Agreement is hereby deleted and replaced with the following:

2.1.1 Total Facility. Lender will make available to Borrower a line of credit of up to \$15,000,000 during the period from January 1 through June 30 of each calendar year and \$30,000,000 during the period from July 1 through December 31 of each calendar year (each, at the applicable point in time, the "Total Facility"), subject to the terms and conditions and made upon the representations and warranties of Borrower set forth in this Agreement. Amounts outstanding under the line of credit from time to time will be referred to as the "Revolving Credit Loan". The Revolving Credit Loan will be represented by the Third Amended and Restated Revolving Credit Note of Borrower dated as of effective date of the Fifth Amendment to Loan Documents and all amendments, extensions and

renewals thereto and restatements and replacements thereof (the "Revolving Credit Note"). The Revolving Credit Loan will bear interest and will be payable in the manner set forth in the Revolving Credit Note, the terms of which are incorporated herein by reference.

2.4 Section 6.2 of the Loan Agreement is hereby deleted and replaced with the following:

6.2 **Liens.** (a) Incur, create, assume, become or be liable in any way, or suffer to exist any mortgage, pledge, lien, charge or other encumbrance of any nature whatsoever on any of its assets, now or hereafter owned, other than Permitted Liens; or (b) agree with any other Person not to incur, create, assume, become or be liable in any way, or suffer to exist any mortgage, pledge, lien, charge or other encumbrance of any nature whatsoever on any of its assets, now or hereafter owned, other than Permitted Liens.

2.5 Section 6.5 of the Loan Agreement is hereby deleted and replaced with the following:

6.5 **Funded Debt Ratio.** Permit the ratio of: (i) Funded Debt of Borrower and Guarantor to (ii) EBTIDA of Borrower and Guarantor calculated on a rolling historical 12-month basis, all on a consolidated basis to be greater than 1.50 to 1.00 at any time.

3. **General.**

3.1 Except as expressly modified herein, the Loan Documents, as amended, are and remain in full force and effect. Nothing contained herein will be construed as waiving any Default or Event of Default under the Loan Documents or will affect or impair any right, power or remedy of Lender under or with respect to the Loan Documents, as amended, or any agreement or instrument guaranteeing, securing or otherwise relating to any of the Advances.

3.2 Borrower represents and warrants to Lender that: (a) this Amendment and the documents to be executed by Borrower in connection with this Amendment have been duly authorized, executed and delivered by Borrower; (b) each has full power and authority to enter into this Amendment; and (c) this Amendment and the documents executed by Borrower in connection with this Amendment constitute the legal, valid and binding obligations of Borrower enforceable in accordance with their respective terms except as such enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws in effect from time to time affecting the rights of creditors generally and except as such enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in law or in equity).

- 3.3 All representations and warranties made by Borrower herein will survive the execution and delivery of this Amendment.
- 3.4 This Amendment will be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns.
- 3.5 Borrower will pay attorneys' fees and expenses of Lender incurred in connection with this Amendment and related documentation. Such fees, expenses may be charged to Borrower by Lender as a Revolving Advance.
- 3.6 This Amendment will in all respects be governed and construed in accordance with the laws of the State of Ohio.
- 3.7 A copy of this Amendment may be attached to the Note as an allonge.
- 3.8 This Amendment and the documents and instruments to be executed hereunder constitute the entire agreement among the parties with respect to the subject matter hereof and shall not be amended, modified or terminated except by a writing signed by the party to be charged therewith.
- 3.9 Borrower agrees to execute such other instruments and documents and provide Lender with such further assurances as Lender may reasonably request to more fully carry out the intent of this Amendment.
- 3.10 This Amendment may be executed in a number of identical counterparts. If so, each such counterpart shall collectively constitute one agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.
- 3.11 No provision of this Amendment is intended or shall be construed to be for the benefit of any third party.

Executed as of the Effective Date.

SIGNATURE PAGE FOLLOWS

SIGNATURE PAGE TO FIFTH AMENDMENT TO LOAN DOCUMENTS

U.S. BANK NATIONAL ASSOCIATION

Lender

By: /s/ Charles L. Thomas
Print Name: Charles L. Thomas
Title: Vice President

BUILD-A-BEAR WORKSHOP, INC.,

BUILD-A-BEAR WORKSHOP FRANCHISE HOLDINGS, INC.,

BUILD-A-BEAR RETAIL MANAGEMENT, INC.

BUILD-A-BEAR WORKSHOP UK HOLDINGS LTD.

Borrowers

By: /s/ Maxine Clark
Print Name: Maxine Clark
Title: Chief Executive Officer

BUILD-A-BEAR ENTERTAINMENT, LLC,

By: Build-A-Bear Retail Management, Inc.,
Sole Member

Borrower

By: /s/ Maxine Clark
Print Name: Maxine Clark
Title: Chief Executive Officer

BUILD-A-BEAR WORKSHOP CANADA, LTD.

Guarantor

By: /s/ Maxine Clark
Print Name: Maxine Clark
Title: Chief Executive Officer

THIRD AMENDED AND RESTATED REVOLVING CREDIT NOTE

\$30,000,000

Cincinnati, Ohio
Dated as of June 30, 2006

FOR VALUE RECEIVED, **BUILD-A-BEAR WORKSHOP, INC.** ("BABWI"), successor by merger to BUILD-A-BEAR WORKSHOP, LLC, **BUILD-A-BEAR WORKSHOP FRANCHISE HOLDINGS, INC.** ("BABWF"), **BUILD-A-BEAR ENTERTAINMENT, LLC** ("BABE"), **BUILD-A-BEAR RETAIL MANAGEMENT, INC.** ("BABRM"), and **BUILD-A-BEAR WORKSHOP UK HOLDINGS LTD.** ("BABWUK") jointly and severally (individually and collectively, the "Borrower") promise to pay to the order of **U.S. BANK NATIONAL ASSOCIATION**, formerly known as FIRSTSTAR BANK, NATIONAL ASSOCIATION ("Lender"), in lawful money of the United States of America in immediately available funds at its offices located at 425 Walnut Street, Cincinnati, Ohio 45202, the principal sum of THIRTY MILLION DOLLARS or such lesser amount as may be outstanding hereunder, together with interest from the date of disbursement of funds hereunder at the interest rates per annum set forth below and selected by Borrower from time to time.

Capitalized terms used in this Note and not otherwise defined herein will have the same meanings given such terms in the Third Amended and Restated Loan Agreement dated as of May 31, 2005 (as amended, restated or modified from time, the "Loan Agreement") between Borrower and Lender. This Note amends and restates the Second Amended and Restated Revolving Credit Note issued by Borrower to Lender dated as of May 31, 2005.

- Rates of Interest.** Interest on each advance hereunder shall accrue at one of the following per annum rates selected by Borrower: (i) upon notice to Lender, the prime rate announced by Lender from time to time, as and when such rate changes, minus 1.00% per annum (a "Prime Rate Loan"); or (ii) upon a minimum of two New York Banking Days prior notice, the 1-, 2- or 3- month LIBOR rate quoted by Lender from Telerate Page 3750 or any successor thereto (which shall be the LIBOR rate in effect two New York Banking Days prior to commencement of the advance) plus 1.50% per annum, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation (a "LIBOR Rate Loan"). The term "New York Banking Day" means any day (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York. The term "Money Markets" refers to one or more wholesale funding markets available to and selected by Lender, including negotiable certificates of deposit, commercial paper, eurodollar deposits, bank notes, federal funds, interest rate swaps or others. Interest calculations under this Note will be computed on the basis of 360 days per year for the actual number of days in each interest period.

In the event Borrower does not timely select another interest rate option at least two New York Banking Days before the end of the Loan Period for a LIBOR Rate Loan, Lender may at any time after the end of the Loan Period convert the LIBOR Rate Loan to a Prime Rate Loan, but until such conversion, the funds advanced under the LIBOR Rate Loan shall continue to accrue interest at the same rate as the interest rate in effect for such LIBOR Rate Loan prior to the end of the Loan Period. The term "Loan Period" means the period commencing on the advance date of the applicable LIBOR Rate Loan

and ending on the numerically corresponding day 1-, 2- or 3- month thereafter matching the interest rate term selected by Borrower; provided, however, (a) if any Loan Period would otherwise end on a day which is not a New York Banking Day, then the Loan Period shall end on the next succeeding New York Banking Day unless the next succeeding New York Banking Day falls in another calendar month, in which case the Loan Period shall end on the immediately preceding New York Banking Day; or (b) if any Loan Period begins on the last New York Banking Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of the Loan Period), then the Loan Period shall end on the last New York Banking Day of the calendar month at the end of such Loan Period.

No LIBOR Rate Loan may extend beyond the maturity of this Note. In any event, if the Loan Period for a LIBOR Rate Loan should happen to extend beyond the maturity of this Note, such loan must be prepaid at the time this Note matures. Lender's internal records of applicable interest rates shall be determinative in the absence of manifest error. Each LIBOR Rate Loan shall be in a minimum principal amount of \$500,000.

The aggregate number of loans in effect at any one time may not exceed three (3) LIBOR Rate Loans and one (1) Prime Rate Loan.

If a LIBOR Rate Loan is prepaid prior to the end of the Loan Period, as defined above, for such loan, whether voluntarily or because prepayment is required due to this Note maturing or due to acceleration of this Note upon default or otherwise, Borrower agrees to pay all of Lender's costs, expenses and Interest Differential (as determined by Lender) incurred as a result of such prepayment. The term "Interest Differential" shall mean that sum equal to the greater of zero or the financial loss incurred by Lender resulting from prepayment, calculated as the difference between the amount of interest Lender would have earned (from like investments in the Money Markets as of the first day of the LIBOR Rate Loan) had prepayment not occurred and the interest Lender will actually earn (from like investments in the Money Markets as of the date of prepayment) as a result of the redeployment of funds from the prepayment. Because of the short-term nature of this facility, Borrower agrees that the Interest Differential shall not be discounted to its present value. Any prepayment of a LIBOR Rate Loan shall be in an amount equal to the remaining entire principal balance of such loan.

2. **Loan Documents.** This Note is issued in connection with the Loan Agreement. All references to the Loan Agreement will include all amendments thereto as made from time to time. The terms, covenants, conditions, stipulations and agreements contained in the Loan Agreement are hereby made a part hereof to the same extent and effect as if they were fully set forth herein. This Note, any Guarantee, the Loan Agreement, and all related loan and security documents are referred to herein as the "Loan Documents".

3. **Payments and Application of Payments.**

3.1 Accrued interest will be due and payable as follows:

3.1.1 with respect to each Prime Rate Loan, monthly on the last day of each calendar month, and at maturity; and

3.1.2 with respect to each LIBOR Rate Loan, on the last day of the Loan Period, and at maturity.

3.2 The entire outstanding principal balance of all Prime Rate Loans, all accrued and unpaid interest thereon, and all other amounts due under the Loan Documents will be due and payable in full on September 30, 2007 (the "Maturity Date").

3.3 Borrower may prepay all or any portion of Prime Rate Loans at any time without penalty.

3.4 Payments received will be applied in such order as Lender may elect.

4. **Late Payments.** If Borrower fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within 5 calendar days of the date due and payable, Borrower also shall pay to Lender a late charge equal to five percent (5.00%) of the amount of such payment (but not less than \$50.00) (the "Late Charge").

5. **Advances.**

5.1 Borrower may borrow, repay, and reborrow under this Note subject to the terms, conditions, and limits set forth herein and in the Loan Agreement, including without limitation, the Maximum Amount and Total Facility restrictions set forth therein. Lender is authorized to record in its books and records the date and amount of each advance and payment hereunder, and other information related thereto, which books and records will constitute prima facie evidence of the accuracy of the information so recorded; provided, however, that failure of Lender to record, or any error in recording, any such information will not relieve Borrower of any of its obligations under this Note or any of the other Loan Documents. Notwithstanding the foregoing, Lender will not make any advance under this Note which would cause the outstanding principal balance under this Note to exceed the Maximum Amount.

5.2 Any request by Borrower for a Prime Rate Loan must be received by Lender not later than 3:00 p.m. (Cincinnati time) on the proposed borrowing date (which must be a Business Day). Any request by Borrower for a LIBOR Rate Loan must be received by Lender not later than 11:00 a.m. (Cincinnati time) on a day that is at least two (2) New York Banking Days prior to the proposed borrowing date (which must be a Business Day). Each request for an advance under this Note will be irrevocable by Borrower. Lender will have no liability in acting upon any request that Lender believes in good faith to have been given on behalf of Borrower and will have no duty to verify the authenticity of the signature(s) appearing on any written request and no duty to verify the identity of any person making any telephonic request. Any disbursement of funds pursuant to a telephonic or written request for an advance under this Note will be subject to all

of the terms and conditions of the Loan Agreement. Upon the making of any request for an advance, Borrower will be deemed to have made all of the representations and warranties set forth in the Loan Agreement on and as of the date of such request except for those representations and warranties which were made specific to the effective date of the Loan Agreement.

- 5.3 Lender hereby is authorized, at any time and from time to time, to make an advance under this Note in the form of a Prime Rate Loan or a LIBOR Rate Loan for the payment on behalf of Borrower of any principal, interest or other sums due under this Note or any of the other Loan Documents. Notwithstanding the foregoing, Lender is not obligated to make any such advance.
- 5.4 Each request for an advance under this Note will be subject to all of the terms and conditions of this Note and the Loan Agreement. Without limiting the generality of the foregoing, Lender will have no duty to make any advance hereunder if insufficient funds remain available pursuant to the Total Facility or any other maximum amount limitations set forth herein or in any of the Loan Documents.
- 5.5 If at any time or times Lender determines in a commercially reasonable manner (which determination will be conclusive and binding) that (i) by reason of circumstances affecting the interbank eurodollar market, adequate and reasonable means do not exist for ascertaining the LIBOR rate, or (ii) the LIBOR rate will not adequately and fairly reflect the cost to Lender of maintaining or funding LIBOR Rate Loans, Lender promptly will give written notice of such determination and the basis therefor to Borrower. If such notice is given, and until Lender has withdrawn such notice, no additional LIBOR Rate Loans will be made.
- 5.6 Notwithstanding any other provisions herein, if any law, treaty, rule or regulation, or determination of a court, governmental authority, central bank or comparable agency charged with the interpretation or administration thereof (whether or not having the force of law), or any change therein or in the interpretation or application thereof, makes it unlawful or impossible for Lender to make or maintain LIBOR Rate Loans, Lender will give written notice to Borrower, no additional LIBOR Rate Loans will be made, and outstanding LIBOR Rate Loans will be converted to Prime Rate Loans on either (i) the last day of the applicable Loan Period for such LIBOR Rate Loan if Lender may continue to maintain such LIBOR Rate Loan until such day or (ii) immediately if Lender may not continue to maintain such LIBOR Rate Loan.
6. **Events of Default.** Immediately and automatically upon the filing by or against Borrower or any Guarantor of a petition in bankruptcy, for a reorganization, arrangement or debt adjustment, or for a receiver, trustee, or similar creditors' representative for its, his or her property or any part thereof, or of any other proceeding under any federal or state insolvency or similar law (and if such petition or proceeding is an involuntary petition or proceeding filed against Borrower or such Guarantor without his, her or its acquiescence therein or thereto at any time, the same is not promptly contested and, within 60 days of

the filing of such involuntary petition or proceeding, dismissed or discharged), or the making of any general assignment by Borrower or any Guarantor for the benefit of creditors, or Borrower or any Guarantor dissolves or is the subject of any dissolution, winding up or liquidation or, at the option of Lender, immediately upon the occurrence of any other Event of Default, in any case without demand or notice of any kind (which are hereby expressly waived): (a) the outstanding principal balance hereunder together with all accrued and unpaid interest thereon, and any additional amounts secured by the Loan Documents, will be accelerated and become immediately due and payable, (b) Borrower will pay to Lender all reasonable costs and expenses (including reasonable Attorneys' Fees) incurred by Lender in connection with Lender's efforts to collect the indebtedness evidenced hereby, (c) Lender may offset and apply to all or any part of the indebtedness evidenced hereby all moneys, credits and other property of any nature whatsoever of Borrower now or hereafter in the possession of, in transit to or from, under the control or custody of or on deposit with (whether held by Borrower individually or jointly with another party), Lender or any affiliate of Lender, and (d) Lender may exercise from time to time any of the rights and remedies available to Lender under the Loan Documents or applicable law. Upon and after the occurrence of any Event of Default or the maturity of this Note (by acceleration or otherwise), the principal balance of this Note, together with any arrearage of interest, will bear interest until paid in full, whether before or after judgment, at the Default Rate and Lender will have no further obligation to make advances under this Note or any of the Loan Documents. Borrower, all other makers, co-signers and indorsers waive presentment, demand, protest, and notice of demand, protest, non-payment and dishonor. Borrower also waives all defenses based on suretyship or impairment of collateral.

7. **Miscellaneous.**

- 7.1 Both the Late Charge and the Default Rate are imposed as liquidated damages for the purpose of defraying Lender's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, Lender's exercise of any rights and remedies hereunder, under the other Loan Documents or under applicable law, and any fees and expenses of any agents or reasonable fees and expenses of any attorneys which Lender may employ. In addition, the Default Rate reflects the increased credit risk to Lender of carrying a loan that is in default. Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by Lender, and that the actual harm incurred by Lender cannot be estimated with certainty and without difficulty.
- 7.2 Nothing contained in this Note regarding late charges or the Default Rate will be construed in any way to extend the due date of any payment or waive any payment default, and each such right is in addition to, and not in lieu of, the other and any other rights and remedies of Lender hereunder, under any of the Loan Documents or under applicable law (including, without limitation, the right to interest, reasonable Attorneys' Fees and other expenses).

- 7.3 Borrower will pay all fees and expenses of Lender incurred in connection with the Loan Documents, including without limitation, reasonable Attorneys' Fees, recording fees, and other out of pocket expenses. Such fees and expenses may be charged to Borrower by Lender as an advance under this Note.
- 7.4 After the initial term of this Note, Lender in its sole discretion may extend or renew the Total Facility and this Note by accepting from Borrower a new note which will be deemed to be the "Revolving Credit Note" referred to in the Loan Agreement. In no event will Lender be under any obligation to extend or renew the Total Facility or this Note beyond the initial term thereof.
- 7.5 This Note will bind Borrower and the successors and assigns of Borrower, and the benefits hereof will inure to the benefit of Lender and its successors and assigns. All references herein to "Borrower" and "Lender" will be deemed to apply to Borrower and Lender and their respective successors and assigns; provided, however, that Borrower may not assign this Note in whole or in part without the prior written consent of Lender, and Lender at any time may assign this Note in whole or in part (but no assignment by the Lender of less than all of this Note will operate to relieve Borrower from any duty to Lender with respect to the unassigned portion of this Note).
- 7.6 If any provision of this Note is prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision and without invalidating any other provision in this Note; provided, however, that if the provision that is the subject of such prohibition or invalidity pertains to repayment of this Note, then, at the option of Lender, all of the obligations hereunder will become immediately due and payable.
- 7.7 If from any circumstances whatsoever the fulfillment of any provision of this Note involves transcending the limit of validity prescribed by any applicable usury statute or any other applicable law, with regard to obligations of like character and amount, then the obligation to be fulfilled will be reduced to the limit of such validity as provided in such statute or law, so that in no event will any exaction of interest be possible under this Note in excess of the limit of such validity. In no event will Borrower be bound to pay interest of more than the legal limit and the right to demand any such excess is hereby expressly waived by Lender.
- 7.8 No delay or failure on the part of Lender to exercise any right, remedy or power hereunder, under any of the other Loan Documents or under applicable law will impair or waive any such right, remedy or power (or any other right, remedy or power), be considered a waiver of or an acquiescence in any breach, Default or Event of Default or affect any other or subsequent breach, Default or Event of Default of the same or a different nature. No waiver of any breach, Default or Event of Default, nor any modification, waiver, discharge or termination of any provision of this Note, nor consent to any departure by Borrower therefrom, will

be established by conduct, custom or course of dealing; and no modification, waiver, discharge, termination or consent will in any event be effective unless the same is in writing, signed by Lender and specifically refers to this Note, and then such modification, waiver, discharge or termination or consent will be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on Borrower in any case will entitle Borrower to any other or further notice or demand in the same or any similar or other circumstance.

- 7.9 No single or partial exercise of any right or remedy by Lender will preclude any other or further exercise thereof or the exercise of any other right or remedy. All remedies hereunder, under any of the other Loan Documents or now or hereafter existing at law or in equity are cumulative and none of them will be exclusive of the others or of any other right or remedy. All such rights and remedies may be exercised separately, successively, concurrently, independently or cumulatively from time to time and as often and in such order as Lender may deem appropriate.
- 7.10 If any demand is made at any time upon Lender for the repayment or recovery of any amount or amounts received by it in payment or on account of any of the Obligations and if Lender repays all or any part of such amount or amounts by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, Borrower will be and remain liable hereunder for the amount or amounts so repaid or recovered to the same extent as if such amount or amounts had never been received originally by Lender. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by Borrower in reliance upon such payment, and any such contrary action so taken will be without prejudice to Lender's rights under this Note and will be deemed to have been conditioned upon such payment having become final and irrevocable.
- 7.11 Time is of the essence in the performance of this Note.
- 7.12 This Note has been delivered and accepted at and will be deemed to have been made at Cincinnati, Ohio and will be interpreted and the rights and liabilities of Borrower and Lender determined in accordance with the laws of the State of Ohio, without regard to conflict of laws principles.
- 7.13 ***Borrower hereby irrevocably agrees and submits to the exclusive jurisdiction of any state or federal court located within Hamilton County, Ohio, or, at the option of Lender in its sole discretion, of any state or federal court(s) located within any other county, state or jurisdiction in which Lender at any time or from time to time reasonably chooses to bring an action or otherwise exercise a right or remedy, and Borrower waives any objection based on forum non conveniens and any objection to venue of any such action or proceeding.***
- 7.14 ***Borrower and Lender each waive any right to trial by jury in any action or proceeding relating to this Note, the Loan Documents, the collateral described***

therein, or any actual or proposed transaction or other matter contemplated in or relating to any of the foregoing.

- 7.15 This Note is the Revolving Credit Note as defined in the Loan Agreement. It restates and replaces the Second Amended and Restated Revolving Credit Note issued by Borrower to Lender dated as of May 31, 2005 in the original maximum principal amount of \$15,000,000 (the "Prior Note") and shall serve as further evidence of the indebtedness referenced under the Prior Note and shall not, in any case, serve as a novation or discharge of such indebtedness. The full principal amount and all other amounts outstanding under the Prior Note are merged herein.

SIGNATURE PAGE FOLLOWS

SIGNATURE PAGE TO THIRD AMENDED AND RESTATED REVOLVING CREDIT NOTE PAYABLE TO THE ORDER OF U.S. BANK
NATIONAL ASSOCIATION

**BUILD-A-BEAR WORKSHOP, INC.,
BUILD-A-BEAR WORKSHOP FRANCHISE HOLDINGS, INC.,
BUILD-A-BEAR RETAIL MANAGEMENT, INC.,
BUILD-A-BEAR WORKSHOP UK HOLDINGS LTD.,
Borrowers**

By: /s/ Maxine Clark
Print Name: Maxine Clark
Title: Chief Executive Officer

**BUILD-A-BEAR ENTERTAINMENT, LLC,
By: Build-A-Bear Retail Management, Inc.,
Sole Member**

Borrower
By: /s/ Maxine Clark
Print Name: Maxine Clark
Title: Chief Executive Officer