

## **VTECH/LEAPFROG MERGER INQUIRY**

### **SUMMARY OF HEARING WITH BANK OF AMERICA ON 4 OCTOBER 2016**

1. Bank of America (BofA) told us that it started its relationship with LeapFrog on November 30, 2005 when it put together a revolving credit facility for LeapFrog (along with Wachovia, which was later acquired by Wells Fargo).
2. BofA told us that it provided an asset-backed line of credit (ie credit secured by the assets of the company) to LeapFrog.
3. BofA told us that LeapFrog informed it that LeapFrog would probably have defaulted on its covenants by June 2016 if it had not obtained much needed liquidity before then.
4. BofA told us that LeapFrog, by its own acknowledgement in its 10Q statement, noted that there were concerns around LeapFrog's ability to continue as a going concern. The LeapFrog management's declaration to the public in the 10Q was the same as BofA's analysis of the situation. BofA told us that it agreed with LeapFrog's assessment that a liquidity crisis was likely absent further action by LeapFrog.
5. BofA told us that LeapFrog's problems revolved around lower than anticipated sales of three big products which LeapFrog believed would be the most saleable in the 2014 holiday season.
6. BofA told us that LeapFrog had a wonderful brand and educational products which had been recognised for 15 to 20 years and this brand was valuable.