

MRD 8-11-98

FORM PTO-1618A  
Expires 06/30/99  
OMB 0651-0027

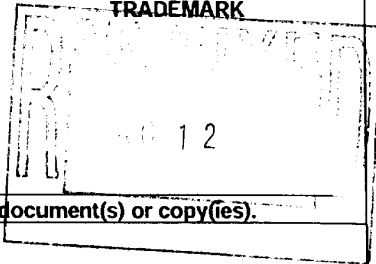
08-17-1998



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U.S. Department of Commerce  
Patent and Trademark Office

TRADEMARK



RECORDATION FORM COVER SHEET  
TRADEMARKS ONLY

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- New
- Resubmission (Non-Recordation)  
Document ID # \_\_\_\_\_
- Correction of PTO Error  
Reel # \_\_\_\_\_ Frame # \_\_\_\_\_
- Corrective Document  
Reel # \_\_\_\_\_ Frame # \_\_\_\_\_

Conveyance Type

- Assignment  License
- Security Agreement  Nunc Pro Tunc Assignment  
Effective Date  
Month Day Year  
\_\_\_\_\_
- Merger
- Change of Name
- Other \_\_\_\_\_

Conveying Party

Mark if additional names of conveying parties attached

Execution Date  
Month Day Year

Name Britt Allcroft, Inc.

05201998

Formerly \_\_\_\_\_

Individual  General Partnership  Limited Partnership  Corporation  Association

Other \_\_\_\_\_

Citizenship/State of Incorporation/Organization New York

Receiving Party

Mark if additional names of receiving parties attached

Name Barclays Bank plc

DBA/AKA/TA \_\_\_\_\_

Composed of \_\_\_\_\_

Address (line 1) Barclays House, Ocean Way

Address (line 2) Ocean Village

Address (line 3) Southampton

England

S014 2ZP

City

State/Country

Zip Code

Individual  General Partnership  Limited Partnership  Association

Corporation  Association

Other \_\_\_\_\_

Citizenship/State of Incorporation/Organization England

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

FOR OFFICE USE ONLY

08/14/1998 TTDN11 00000008 1955604

01 FC:481  
02 FC:482

40.00 DP  
175.00 DP

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Mail documents to be recorded with required cover sheet(s) information to:  
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

TRADEMARK

REEL: 1768 FRAME: 0674

**Domestic Representative Name and Address**

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

**Correspondent Name and Address**

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

**Pages**

Enter the total number of pages of the attached conveyance document including any attachments.

#

**Trademark Application Number(s) or Registration Number(s)**

Mark if additional numbers attached

Enter either the Trademark Application Number *or* the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)			Registration Number(s)		
<input type="text" value="74491619"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1955604"/>	<input type="text" value="1624163"/>	<input type="text"/>
<input type="text" value="74489293"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1977701"/>	<input type="text" value="1624162"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1621671"/>	<input type="text" value="2009287"/>	<input type="text"/>

**Number of Properties**

Enter the total number of properties involved.

#

**Fee Amount**

Fee Amount for Properties Listed (37 CFR 3.41):

\$

Method of Payment:

Enclosed

Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes

No

**Statement and Signature**

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

Michael A. Matzka

Name of Person Signing



Signature

8/11/98

Date Signed

## Part B

## TRADEMARKS OF BRITT ALLCROFT, INC.

COUNTRY	TRADEMARK	CLASS	PEN/REG	APPLY. DATE	REG. DATE	REG. Number
US	SHINING TIME STATION	9	PEN	10/02/94		
US	SHINING TIME STATION	9	REG	10/02/94	13/02/96	1955604
US	SHINING TIME STATION	16	PEN	10/02/94		
US	SHINING TIME STATION	16	REG	10/02/94	13/02/96	1955604
US	SHINING TIME STATION	25	REG	25/08/94	04/06/96	1977701
US	SHINING TIME STATION	28	PEN	10/02/94		
US	SHINING TIME STATION	28	REG	10/02/94	13/02/96	1955604
US	SHINING TIME STATION	41	REG	04/04/89	06/11/90	1621671
US	STS AND LOGO (ILLUST)	41	REG	04/04/89	20/11/90	1624163
US	STS AND LOGO (NO ILLUST)	41	REG	04/04/89	20/11/90	1624162
US	TTEF AND CLOUD DEVICE	9	REG	14/02/94	22/10/96	2009287
US	TTEF AND CLOUD DEVICE	14	REG	14/02/94	22/10/96	2009287
US	TTEF AND CLOUD DEVICE	20	REG	14/02/94	22/10/96	2009287
US	TTEF AND CLOUD DEVICE	21	REG	14/02/94	22/10/96	2009287
US	TTEF AND CLOUD DEVICE	25	REG	14/02/94	22/10/96	2009287
US	TTEF AND CLOUD DEVICE	28	REG	14/02/94	22/10/96	2009287
US	TTEF AND CLOUD DEVICE	41	PEN	14/02/94		
US	TTEF AND TRAIN DEVICE	9	LAPSE	12/06/86	01/09/87	
US	TTEF AND TRAIN DEVICE	16	LAPSE	18/12/86	09/06/87	
US	TTEF AND TRAIN DEVICE	20	LAPSE	18/02/86	09/06/87	
US	TTEF AND TRAIN DEVICE	21	LAPSE	18/02/86	09/06/87	
US	TTEF AND TRAIN DEVICE	24	LAPSE	18/02/86	09/06/87	
US	TTEF AND TRAIN DEVICE	25	LAPSE	18/02/86	09/06/87	
US	TTEF AND TRAIN DEVICE	28	LAPSE	18/02/86	09/06/87	
	DAY OUT WITH THOMAS		UNREGISTERED			

EXECUTION COPY

SECURITY AGREEMENT

Dated as of May 20, 1998

Made by

BRITT ALLCROFT, INC.

as Grantor

to

BARCLAYS BANK PLC,

as Secured Party

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TRADEMARK  
REEL: 1768 FRAME: 0677

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## SECURITY AGREEMENT

SECURITY AGREEMENT dated as of May 20, 1998, made by BRITT ALLCROFT, INC., a New York corporation, as grantor (the "Grantor"), to BARCLAYS BANK PLC, a British bank, as Secured Party (the "Secured Party");

### PRELIMINARY STATEMENTS.

(1) The Secured Party has entered into a Loan Agreement made April 23, 1998, as amended by letter agreements dated April 28, 1998 and May 15, 1998, with the Britt Allcroft (Thomas), LLC, a Delaware limited liability company, as Borrower (the "Borrower"), and Britt Allcroft (Delaware), LLC and The Britt Allcroft Company PLC, as Guarantors (said Agreement, as so amended and as it may hereafter be further amended, restated, supplemented (including, without limitation, by addition of new parties thereto), increased or otherwise modified from time to time, being the "Loan Agreement").

(2) The Grantor is the sole member of the Borrower.

(3) In order to induce the Secured Party to make the Loan under the Loan Agreement, the Grantor is granting the assignment and security interest contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Grantor, the Grantor hereby agrees with the Secured Party as follows:

Section 1. Grant of Security. The Grantor hereby assigns and pledges to the Secured Party, and hereby grants to the Secured Party a lien on and security interest in, all of Grantor's right, title and interest in and to the following, whether now owned or hereafter acquired or arising and wherever located (collectively, the "Collateral"):

- (a) (i) all trademarks, service marks, trade names and trade dress and other indicia of trade origin listed on Schedule I hereto, related to any property acquired pursuant to the Rights Transfer Agreement (the "Rights Transfer Agreement") dated April 27, 1998 between the Borrower, The Britt Allcroft Company PLC, Reed Consumer Books Limited and Reed Elsevier (UK) Limited, or related or similar to, or used in connection with, any such item listed on Schedule I or any property acquired under the Rights Transfer Agreement, whether used in the United States or elsewhere in the world, all trademark and service mark registrations and applications for trademark or service mark registration and all renewals of such registrations and applications, in each case, whether in the United

States or elsewhere in the world, including, without limitation, (A) all income, royalties, damages and payments now or hereafter due and/or payable with respect to each of the foregoing items (including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof), (B) the right to sue or otherwise recover for all past, present and future infringements and misappropriations of any of the foregoing items, and (C) all rights corresponding to any of the foregoing rights throughout the world, together, in each case, with the goodwill of the business connected with the use of and symbolized by each such trademark, service mark, trade name and trade dress (all of the foregoing property, rights and interests described in this clause (i) being, collectively, the "Trademarks");

- (ii) to the extent (if any) not included under the foregoing clause (i), all cash, general intangibles (as defined in the Uniform Commercial Code of the State of New York (the "UCC")), income, royalties, damages, payments and amounts due and to become due to Grantor which arise from any Trademark;
- (iii) all other causes of action, claims and warranties now or hereafter owned or acquired by the Grantor in respect of any of the Trademarks, or any of the other items described above; and

(b) all proceeds, products, profits and increases of any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not the Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral.

Section 2. Security for Obligations. This Agreement secures the payment when due (whether at stated maturity, by acceleration or otherwise) of all obligations of the Borrower now or hereafter existing under, in respect of or in connection with the Loan Agreement and any other agreement entered into by the Borrower or the Grantor in connection with the Loan Agreement or relating thereto (the "Loan Documents") and all obligations of the Grantor now or hereafter existing under, in respect of or in connection with this Agreement, in each case whether for principal, interest (including, without limitation, interest on the Loan accrued prior to or during the pendency of any insolvency or similar proceeding with respect to the Borrower, whether any such interest is allowed or allowable as a claim in such proceeding), fees, expenses or otherwise (all such obligations referred to above being the "Secured Obligations").

Section 3. Grantor Remains Liable. Anything herein to the contrary notwithstanding, (a) the Grantor shall remain liable under the contracts and agreements included in the Collateral



to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral and (c) the Secured Party shall have no obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall the Secured Party be obligated to perform any of the obligations or duties of the Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 4. Delivery of Chattel Paper, Securities and Instruments. Upon occurrence and during the continuance of an Event of Default, all chattel paper, securities, promissory notes and other instruments (in each case, as defined in the UCC) constituting part of the Collateral (collectively, the "Security Collateral") shall be delivered to and held by or on behalf of the Secured Party pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Secured Party.

Section 5. [Intentionally Omitted]

Section 6. General Representations and Warranties and Agreements. The Grantor represents and warrants as follows:

(a) The chief place of business and chief executive office of the Grantor and the office where the Grantor keeps its records concerning the Collateral, including, without limitation, the original copies of and records as to each license thereof and payments thereunder, are located at the address specified as the chief executive office for the Grantor on Schedule II hereto. The name of the Grantor is as set forth on the signature page hereto. Except as set forth on Schedule II, the Grantor has not had any other name or conducted business in any other name during the past six years. No Collateral in which the Grantor has any right, title or interest is evidenced by chattel paper, a promissory note or other instrument which has not been delivered to the Secured Party in accordance with Section 4 hereof.

(b) The Grantor is the sole legal and beneficial owner of the Collateral and owns such Collateral free and clear of any lien, security interest, charge or other Encumbrance except for the security interest created by this Agreement. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Secured Party. Set forth on Part B of Schedule I hereto is a complete and accurate list of each Trademark and of each registration or application for registration thereof. All other information heretofore furnished to the Secured Party concerning the Trademarks and proceeds thereof of the Grantor is complete and accurate in all material respects.

(c) On or before the day which is 30 days after the date hereof, the Grantor shall make all necessary filings and recordations to reflect, protect and maintain its interest in the

trademarks and service marks, trademark and service mark applications and trademark and service mark registrations listed on Part B of Schedule I and in all Applicable U.S. Licenses.

(d) Except as set forth on Schedule 6(G), each trademark or service mark registration and trademark or service mark application set forth in Schedule I is valid, subsisting and enforceable and has not been adjudged invalid, unregistrable or unenforceable, in whole or in part. Except as set forth on Schedule 6(G), the Grantor is not aware of any uses of any item of Collateral which could be expected to lead to any item of Collateral becoming invalid or unenforceable, including unauthorized uses by third parties and uses which were not supported by the goodwill of the business connected with such Collateral. The Grantor has not made a previous assignment, transfer or agreement constituting a present or future assignment, transfer or lien, security interest, charge or other Encumbrance of any of the Collateral. The Grantor has not granted any release, covenant not to sue, or non-assertion assurance to any person with respect to any part of the Collateral. Grantor has used proper statutory notice in connection with its use of each registered trademark and service mark contained in Schedule I.

(e) **[Intentionally Omitted]**

(f) Except as set forth on Schedule 6(G), the Grantor is not aware of any basis for any claim by any third party relating to any Trademark or of any such claim having been made or threatened.

(g) Except as set forth on Schedule 6(G), No claim has been made and is continuing or threatened that any item of Collateral is invalid or unenforceable or that the use by the Grantor of any Collateral does or may violate the rights of any person. To the knowledge of Grantor, except as set forth on Schedule 6 (G) hereto, there is currently no infringement or unauthorized use of any item of Collateral.

(h) This Agreement creates a valid security interest in the Collateral, securing the payment of the Secured Obligations, and except for the filing of this Agreement with the U.S. Patent and Trademark Office, all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken. Upon the filing of this Agreement with the U.S. Patent and Trademark Office, the Secured Party will hold a perfected, first priority security interest in all of the Collateral.

(i) Except for the filing of Uniform Commercial Code financing statements, all of which have been made, and the filing of this Agreement with the U.S. Patent and Trademark Office, no notice to or filing with, any governmental authority or regulatory body is required and no consent of any person and no authorization, approval or other action by any governmental authority or regulatory body is required (i) for the grant by the Grantor of the assignment and security interest granted hereby, or for the execution, delivery or performance of this Agreement by the Grantor, (ii) for the perfection or maintenance of the pledge, assignment and security interest created hereby (including the first priority nature of such pledge, assignment or security

interest) in the Collateral or (iii) for the exercise by the Secured Party of its rights provided for in this Agreement or the remedies in respect of the Collateral.

Section 7. Further Assurances.

(a) The Grantor agrees that from time to time, at the expense of the Grantor, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Secured Party may reasonably request, in order to perfect and protect any pledge, assignment or security interest granted or purported to be granted hereby and the Secured Party's first priority with respect thereto, or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Grantor will at its own expense (x) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Secured Party may reasonably request, in order to perfect and preserve the pledge, assignment and security interest granted or purported to be granted hereby and the first priority thereof, and (y) at the Secured Party's request, use reasonable efforts to obtain any other consent necessary or desirable to effect or perfect the assignment and security interest provided hereunder in respect of such Collateral; provided that the foregoing shall not require Grantor to register any Trademark with the U.S. Patent and Trademark Office.

(b) The Grantor hereby authorizes the Secured Party to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral, without the signature of the Grantor where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) The Grantor will furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party may reasonably request, all in reasonable detail.

(d) The Grantor agrees that, should it obtain an ownership interest in any Trademark which is not now a part of the Collateral or (without limiting any other requirement of this Agreement), if Grantor records its ownership of any Trademark (whether or not now part of the Collateral) or files an application to register any Trademark (whether or not now part of the Collateral) with the U.S. Patent and Trademark Office, (i) in the case of Grantor obtaining such ownership interest, it shall give the Secured Party written notice of its obtaining of such interest within 10 business days thereof and specify whether such interest is or forms a part of a trademark or service mark which is registered in the U.S. or for which application for registration has been or will be made, (ii) if Grantor determines to make any application for registration of such item or to record its ownership of such item, with the U. S. Patent and Trademark Office, it will give Secured Party notice thereof prior to making such application or recordation; (iii) the provisions

of Section 1 shall automatically apply thereto, and (iv) any such trademark, service mark, trade name, trade dress, indicia of trade origin, trademark or service mark registration or trademark or service mark application (together with the goodwill of the business connected with the use of same and symbolized by same), shall automatically become part of the Collateral. The Grantor authorizes the Secured Party to modify this Agreement by amending Schedule I (and will cooperate with the Secured Party in effecting any such amendment) to include any trademark, service mark, trade name, trade dress, other indicia of trade origin, trademark or service mark registration, trademark or service mark application, which becomes part of the Collateral under this Section. The Grantor will execute all agreements, instruments, documents and papers as the Secured Party may reasonably request to evidence the Secured Party's security interest in each item of Collateral and hereby constitutes the Secured Party its attorney-in-fact to execute and file all such writings for the foregoing purposes, such power being coupled with an interest is irrevocable, provided, that the Grantor shall not be required to file any security agreement with the U.S. Patent and Trademark Office as to any trademark or service mark acquired after the date hereof unless (i) Grantor files an application for U.S. registration thereof, or (ii) such subsequently created or subsequently acquired item is the subject of a U.S. registration or application therefor.

(e) With respect to each trademark or service mark registration, trademark or service mark application, the Grantor agrees to take all necessary steps, including, without limitation, in the U.S. Patent and Trademark Office or in any court, to (i) maintain, to the extent permitted by law, each Trademark registration and Trademark application reflect its ownership thereof, and pursue each such application, including, without limitation, by the filing of responses to office actions issued by the U.S. Patent and Trademark Office, the filing of applications for renewal or extension, where necessary, the filing of affidavits under Sections 8 and 15 of the United States Trademark Act, the filing of divisional, continuation, continuation-in-part and substitute applications, the filing of applications for re-issue, renewal or extensions, the payment of maintenance fees, and the participation in interference, reexamination, opposition, cancellation, infringement and misappropriation proceedings. The Grantor agrees to take corresponding steps with respect to each new or acquired trademark or service mark registration, trademark or service mark application, to which it is now or later become entitled, including, without limitation, each application for registration of each item listed on Part B Schedule I. Any expenses incurred in connection with such activities and any other activity referred to in this Section, shall be borne by the Grantor. The Grantor shall not, without the written consent of the Secured Party, discontinue use of or otherwise abandon any trademark or service mark identified in Schedule I, or abandon any right to file an application for trademark or service mark registration, or abandon any pending application for a trademark or service mark registration identified in Schedule I.

(f) The Grantor agrees to notify the Secured Party promptly and in writing if it learns (i) that any item of Collateral included on Part B of Schedule I or any other material item of Collateral (any such item of Collateral so included on said Part B and any such other material item of Collateral being hereinafter referred to as "Material Collateral") may be determined to have become abandoned or dedicated or (ii) of any adverse determination (including, without limitation, as to any registration application) or the institution of any proceeding (including,

without limitation, the institution of any proceeding in the U.S. Patent and Trademark Office or any court) regarding any item of the Collateral.

(g) In the event that the Grantor become aware that any item of Collateral is infringed or misappropriated by a third party, the Grantor shall promptly notify the Secured Party and shall take such actions as the Grantor or, in the case of any item of Material Collateral, the Grantor or the Secured Party, deems reasonable and appropriate under the circumstances to protect such Collateral, including, without limitation, suing for infringement or misappropriation and for an injunction against such infringement or misappropriation. Any expense incurred in connection with such activities shall be borne by the Grantor. The Grantor may discontinue or settle any such suit or other action relating to any Collateral which does not constitute an item of Material Collateral if in its reasonable business judgment it deems such discontinuance or settlement to be appropriate.

(h) To the extent necessary to protect such Trademarks, the Grantor shall use proper statutory notice in connection with its use of each of its Trademarks.

(i) The Grantor shall take all steps which it or, with respect to any item of Material Collateral, which it or the Secured Party, deems reasonable and appropriate under the circumstances to preserve and protect each item of Collateral, including, without limitation, (i) maintaining the quality of any and all products or services used or provided in connection with any of the Trademarks, consistent with the quality of the products and services as of the date hereof, and taking all steps necessary to ensure that all licensed users of any of the Trademarks use such consistent standards of quality and (ii) appearing in and defending each action or proceeding relating to any item of Collateral.

(j) The Grantor shall take all required actions and all other actions which the Secured Party reasonably requests to protect and evidence in any non-U.S. jurisdiction the Grantor's rights with respect to each item of Collateral and the Secured Party's liens thereon and other rights therein.

#### Section 8. Taxes; Judgments.

(a) The Grantor shall pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, its equipment, inventory and other property.

(b) The Grantor shall ensure that no judgment for the payment of money rendered against it shall remain undischarged for any period of 30 consecutive days during which execution shall not be effectively stayed.

#### Section 9. [Intentionally Omitted].

Section 10. Place of Perfection; Records; Change of Name.

(a) The Grantor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Collateral and the original copies of all licenses thereof, at the location therefor specified in Section 6(a) or, upon 30 days' prior written notice to the Secured Party, at such other locations in a jurisdiction in the United States where all actions required by Section 7 shall have been taken with respect to the Collateral. The Grantor will not change its name or conduct business in any other name unless it has given 30 days' prior written notice thereof to the Secured Party and all actions required by Section 7 shall have been taken. The Grantor will keep and maintain good and accurate books and records of the Collateral (including, without limitation, as to licenses, payments made and owing) and hold and preserve the original copies of the licenses and such records and will permit representatives of the Secured Party at reasonable intervals upon advance written notice (and during the continuance of an Event of Default, as often as the Secured Party desires, with or without advance notice), during normal business hours to inspect and make abstracts from such records.

(b) Upon the occurrence of an Event of Default and during the continuance thereof, (i) all amounts and proceeds (including instruments) received by the Grantor in respect of the Trademarks (all such amounts and payments, "Receivables") shall be received in trust for the benefit of the Secured Party hereunder, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary endorsement) for application in accordance with Section 17(c), and (ii) the Grantor shall not adjust, settle or compromise the amount or payment of any Receivable, release wholly or partly any obligor thereof, or allow any credit or discount thereon.

Section 11. [Intentionally Omitted.]

Section 12. As to Licenses.

(a) The Grantor shall at its expense perform and observe all the material terms and provisions of each license of the Collateral (a "License") to be performed or observed by it.

- (b) The Grantor shall not:
- (i) consent to or permit or accept any prepayment of amounts to become due under or in connection with any License, except as expressly provided therein unless (i) it has a legitimate reason to do so and (ii) such License is not material to the Grantor;
  - (ii) take any other action in connection with any such License that would impair the value of the interest or rights of the Grantor in the Collateral thereunder or that would impair the interest or rights of the Secured Party in the Collateral; or

- (iii) enter into any new License with any direct or indirect affiliate of Grantor except on terms at least as favorable to Grantor as would be obtained with an unrelated third party;

in each case without the prior written consent of the Secured Party.

- (c) The Grantor shall provide Secured Party with a copy of each new agreement material to Grantor and of each new License, within 10 days of executing such License or agreement.

Section 13. Transfers and Other Liens. The Grantor shall not (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral in which it has any right, title or interest, (ii) create or suffer to exist any lien, security interest, charge or other Encumbrance upon or with respect to any such Collateral except the pledge, assignment and security interest created by this Agreement; or (iii) subordinate its right to receive any payment in respect of, or any of its other rights in connection with, any Collateral to that of any other person or obligation.

Section 14. Secured Party Appointed Attorney-in-Fact. The Grantor hereby irrevocably appoints the Secured Party the Grantor's attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise (which appointment as attorney-in-fact is irrevocable and coupled with an interest), from time to time in the Secured Party's discretion, upon the occurrence and during the continuance of an Event of Default, to take any action and to execute any instrument that the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

- (a) to ask for, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral in which the Grantor has any right, title or interest,

- (b) to receive, indorse and collect any drafts, other instruments or forms of payment, documents and chattel paper, received in connection with clause (a) or (b) of this Section 14 or otherwise in respect of the Collateral or forming any part thereof,

- (c) to file any claims or take, defend or settle any action or institute, appear in, or maintain any proceedings, and to take actions and file papers in connection therewith, that the Secured Party may deem necessary or desirable in connection with any of the Collateral, including without limitation, for the collection thereof, or otherwise to enforce compliance with the rights of the Secured Party with respect to any of such Collateral, and to make any filings with and respond to any actions in or communications from the U.S. Patent and Trademark Office,

- (d) to file registration applications for trademarks and service marks, and

(e) to sell, transfer, assign or otherwise deal in or with the Collateral or proceeds thereof.

Section 15. Secured Party May Perform. If the Grantor fails to perform any agreement contained herein, the Secured Party may itself perform, or cause performance of, such agreement, and the expenses of the Secured Party incurred in connection therewith shall be payable or otherwise indemnifiable by the Grantor under Section 19.

Section 16. The Secured Party's Duties. The powers conferred on the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Secured Party shall have no duty as to any Collateral, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Secured Party accords its own property.

Section 17. Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Secured Party may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Collateral) and also may (i) exercise any and all rights and remedies of the Grantor under or otherwise in respect of the Collateral, (ii) require the Grantor to, and the Grantor hereby agrees that it will at its expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it available to the Secured Party at a place to be designated by the Secured Party that is reasonably convenient to both the Grantor and the Secured Party, (iii) occupy, for a reasonable period and without obligation to the Grantor in respect of such occupation, any premises owned or leased by the Grantor where documents embodying the Collateral or any part thereof are assembled in order to effectuate the Secured Party's rights and remedies hereunder or under law, and (iv) without notice except as specified below, sell, lease, license, assign, give an option or options to purchase or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale or other disposition, at any of the Secured Party's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Secured Party may deem commercially reasonable. The Grantor agrees that, to the extent notice of sale or other disposition shall be required by law, at least ten days' notice to the Grantor of the time and place of any public sale or other disposition or the time after which any private sale or other disposition is to be made shall constitute reasonable notification. Upon each such sale or other disposition, the Secured Party may purchase, or acquire other rights in, all or any of the Collateral being sold or otherwise disposed of, free from any equity or right of redemption, which, upon each such sale or other disposition,



shall be and is hereby waived and released. The Grantor hereby waives, to the extent that it may lawfully do so, any rights of appraisal, valuation, stay and extension in connection with any exercise of remedies by the Secured Party. The Secured Party shall not be obligated to make any sale or other disposition of Collateral regardless of notice of sale or other disposition having been given. The Secured Party may adjourn any public or private sale or other disposition from time to time by announcement at the time and place fixed therefor, and such sale or other disposition may, without further notice, be made at the time and place to which it was so adjourned.

(b) Without limiting the generality of the foregoing, if any Event of Default has occurred and is continuing,

- (i) the Secured Party may, subject to the terms of existing licenses with respect to the Trademarks not prohibited by Section 12 hereof, license, or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Collateral anywhere throughout the world for such term or terms, on such conditions and in such manner as the Secured Party shall in its sole discretion determine, the proceeds of such license or sublicense to be applied to the payment of the Secured Obligations;
- (ii) the Secured Party may (without assuming any obligations or liability thereunder), at any time and from time to time, enforce (and shall have the exclusive right to enforce) against any licensee or sublicensee all rights and remedies of the Grantor in, to and under any license and take or refrain from taking any action under any thereof, and the Grantor hereby releases the Secured Party from, and agrees to hold the Secured Party free and harmless from and against, any claims arising out of any lawful action so taken or omitted to be taken with respect thereto other than any claims arising by reason of Secured Party's own gross negligence or willful misconduct; and
- (iii) upon request by the Secured Party, the Grantor will execute and deliver to the Secured Party a power of attorney, in addition to and supplemental to that set forth in Section 14, in form and substance satisfactory to the Secured Party, for the implementation of any lease, assignment, license, sublicense, grant of option, sale or other disposition of any of the Collateral subject to the terms of existing licenses with respect to the Trademarks not prohibited by Section 12 hereof. In the event of any sale, assignment or other disposition of any of the Collateral, the goodwill of the business connected with and symbolized by any Trademarks subject to such disposition shall be included, and the Grantor shall supply to the Secured Party

or its designee the Grantor's know-how and expertise, and documents and things embodying the same, relating to the manufacture, distribution, advertising and sale of products or the provision of services relating to any Collateral subject to such disposition, and the Grantor's customer lists and other records and documents relating to such Collateral and to the manufacture, distribution, advertising and sale of such products and services.

(c) All cash proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Secured Party, be held by the Secured Party as collateral for, and/or then or at any time thereafter be applied (after payment of any amounts payable to the Secured Party pursuant to Section 19) in whole or in part by the Secured Party against, all or any part of the Secured Obligations in such order as the Secured Party shall elect and the Grantor will continue to be liable for any deficiency with respect to any of the Secured Obligations remaining unpaid. Any surplus of such cash or cash proceeds held by the Secured Party and remaining after payment in full of all the Secured Obligations shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus.

(d) The Secured Party may exercise any and all rights and remedies of the Grantor (in the Secured Party's name and/or in the Grantor's name) under or in connection with any of the Trademarks.

(e) All payments received by the Grantor under, in connection with or otherwise in respect of the Collateral shall be received in trust for the benefit of the Secured Party, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary endorsement).

(f) The Secured Party may, without notice to the Grantor except as required by law and at any time or from time to time, charge, set-off and otherwise apply all or any part of the Secured Obligations against funds or moneys deposited with, held by or received by the Secured Party, as the case may be for the account of the Grantor or any part thereof.

Section 18. Grant of License to Use Collateral. For the purpose of enabling the Secured Party to exercise rights and remedies under this Agreement upon and following the occurrence of an Event of Default, the Grantor hereby grants to the Secured Party an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Grantor) to use, assign, license or sublicense any of the Collateral, whether now owned or hereafter acquired by the Grantor, and wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

Section 19. Indemnity and Expenses.

(a) The Grantor agrees to indemnify the Secured Party from and against any and all claims, losses, obligations, liabilities, judgments, suits, damages, costs and expenses, including, without limitation, the reasonable fees and disbursements of its counsel and any experts (collectively, "Losses") arising out of, relating to or resulting from this Agreement (including, without limitation, enforcement of this Agreement) or relating to the Collateral, except Losses resulting from the Secured Party's gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction.

(b) The Grantor will upon demand pay to the Secured Party the amount of any and all reasonable expenses, including, without limitation, the reasonable fees and disbursements of its counsel and of any experts and Secured Party, that the Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Secured Party hereunder, (iv) the failure by the Grantor to perform or observe any of the provisions hereof, or (v) any action taken by the Secured Party pursuant to Section 7, Section 15 or Section 17 hereof.

(c) All amounts paid or incurred by the Secured Party for which the Grantor is responsible and all other sums for which the Grantor may be liable under this Agreement shall be paid with interest thereon from the time paid or incurred at the interest rate, for each day on which such amount or sum is outstanding, that is applicable to amounts not paid when due under Section 7.2 of the Loan Agreement.

Section 20. Security Interest Absolute. The obligations of the Grantor under this Agreement are independent of the other Secured Obligations, and a separate action or actions may be brought and prosecuted against the Grantor to enforce this Agreement, irrespective of whether any action is brought against the Borrower or any other person, or whether the Grantor, the Borrower or any other person is joined in any such action or actions. All rights of the Secured Party and the pledge, assignment and security interest hereunder, and all obligations of the Grantor hereunder, shall be absolute and unconditional, irrespective of:

(a) any lack of validity or enforceability of any Loan Document, any Security Document or any other agreement or instrument relating to any Loan Document or Security Document;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations or any other amendment or waiver of or any consent to any departure from any Loan Document or Security Document or any other agreement or instrument relating to any Loan Document, Security Document or the Secured Obligations, including, without limitation, any increase in the Secured Obligations resulting from the extension of additional credit to the Borrower or otherwise, or any failure to exercise any right, remedy,

power or privilege under or in respect of the Secured Obligations or any such agreement or instrument;

(c) any taking, exchange, release or non-perfection of any other collateral for all or any of the Secured Obligations, or any taking of any guaranty or other support for all or any of the Secured Obligations, or any release or amendment to, or waiver of or consent to departure from, any guaranty of all or any of the Secured Obligations or any other agreement securing all or any of the Secured Obligations;

(d) any manner of application of collateral, or proceeds thereof, to all or any of the Secured Obligations, or any manner of sale or other disposition of any collateral;

(e) any change, restructuring or termination of the corporate structure or existence of the Grantor, the Borrower or any other affiliate of the Grantor or any consent thereto by the Secured Party; or

(f) any other circumstance (including, but not limited to, any statute of limitations) that might otherwise constitute a defense available to, or a discharge of, the Grantor or a third party grantor of a security interest.

Section 21. Amendments; Waivers; Etc. No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Secured Party to exercise, and no delay in exercising any right hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

Section 22. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic, telex or cable communication) and mailed, telegraphed, telecopied, telexed, cabled or delivered to the Grantor or to the Secured Party, as the case may be, in each case addressed to such person at its office specified in the Loan Agreement or, as to either party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section 22. All such notices and other communications shall, when mailed, telecopied, telegraphed, telexed or cabled, respectively, be effective (a) when received, if mailed or delivered, or (b) when delivered to the telegraph company, transmitted by telecopier, confirmed by telex answerback or delivered to the cable company, respectively, addressed as aforesaid.

Section 23. Continuing Security Interest; Assignments under the Loan Agreement. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the later of (i) the indefeasible cash payment in full of the Secured Obligations, and (ii) the termination, cancellation or expiry of the Secured Party's obligations to

make the Loan under the Loan Agreement (such later date, the "Termination Date"), (b) be binding upon the Grantor, its successors and assigns and (c) inure, together with the rights and remedies of the Secured Party hereunder, to the benefit of the Secured Party, its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), the Secured Party may assign or otherwise transfer all or any portion of its rights and obligations under the Loan Agreement to any other person, and such other person shall thereupon become vested with all the benefits in respect thereof granted to the Secured Party herein or otherwise. On the Termination Date, the security interest in the Collateral created by this Agreement shall terminate, without delivery of any instrument or performance of any act by any party. Promptly following written request by the Grantor made after the Termination Date, the Secured Party will deliver to the Grantor any Collateral held by the Secured Party hereunder and, at Grantor's expense, execute and deliver to Grantor such documents as the Grantor shall reasonably request to evidence such termination, in each case, without warranty by or recourse to the Secured Party.

Section 24. [Intentionally Omitted].

Section 25. Severability. If any term or provision of this Agreement is or shall become illegal, invalid or unenforceable in any jurisdiction, all other terms and provisions of this Agreement shall remain legal, valid and enforceable in such jurisdiction and such illegal, invalid or unenforceable provision shall be legal, valid and enforceable in any other jurisdiction.

Section 26. Execution in Counterparts. This Agreement may be executed in any number of counterparts each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

Section 27. GOVERNING LAW; TERMS.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(b) Any term used but not defined herein which is defined in the Loan Agreement shall have the meaning ascribed thereto in the Loan Agreement.

Section 28. WAIVER OF JURY TRIAL. EACH OF THE SECURED PARTY AND THE GRANTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR

THE SECURED PARTY ENTERING INTO THIS AGREEMENT AND THE LOAN AGREEMENT.

Section 29. JURISDICTION. THE GRANTOR HEREBY AGREES THAT ANY LEGAL ACTION OR PROCEEDING AGAINST THE GRANTOR WITH RESPECT TO THIS AGREEMENT, THE LOAN AGREEMENT OR THE OTHER DOCUMENTS CONTEMPLATED HEREBY OR REFERRED TO HEREIN MAY BE BROUGHT IN ANY COURT IN THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK OR ANY COURT IN ENGLAND, AS THE SECURED PARTY MAY ELECT, AND BY EXECUTION AND DELIVERY OF THIS PLEDGE AGREEMENT THE GRANTOR GENERALLY AND UNCONDITIONALLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. THE GRANTOR WAIVES ANY RIGHT TO STAY OR TO DISMISS ANY ACTION OR PROCEEDING BROUGHT BEFORE ANY OF SAID COURTS ON THE BASIS OF FORUM NON CONVENIENS. THE GRANTOR HEREBY APPOINTS PAUL, WEISS, RIFKIND, WHARTON & GARRISON AS ITS AGENT FOR SERVICE OF PROCESS, PLEADINGS, NOTICES AND OTHER PAPERS IN CONNECTION WITH ANY SUCH ACTION OR PROCEEDING IN NEW YORK AND ELSEWHERE IN THE UNITED STATES AND AGREES THAT PROCESS AGAINST THE GRANTOR (AND PLEADINGS, NOTICES AND OTHER PAPERS) IN ANY ACTION OR PROCEEDING IN ANY JURISDICTION MAY BE SERVED AGAINST THE GRANTOR BY REGISTERED OR CERTIFIED MAIL SENT TO, OR BY OTHER DELIVERY TO, SUCH PROCESS AGENT AT 1285 AVENUE OF THE AMERICAS, NEW YORK, NEW YORK 10019, ATTN: CHARLES H. GOOGE, JR. (OR ANY ADDRESS WHERE SUCH PROCESS AGENT MAINTAINS AN OFFICE) OR TO THE GRANTOR AT ITS ADDRESS FOR NOTICES HEREUNDER, SUCH SERVICE BEING HEREBY ACKNOWLEDGED BY THE GRANTOR AS BEING EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE SECURED PARTY TO SERVE PROCESS, PLEADINGS, NOTICES AND OTHER PAPERS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW OR SHALL LIMIT THE RIGHT OF THE SECURED PARTY TO BRING ACTIONS AND PROCEEDINGS AGAINST THE GRANTOR IN THE COURTS OF ANY OTHER JURISDICTION.

**Remainder of this page intentionally left blank**

IN WITNESS WHEREOF, the Grantor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

GRANTOR

BRITT ALLCROFT, INC.

By:

*J Anne Perry*  
Title: *vice President & General manager*

Secured Party

Agreed and consented to as of the date first above written:

BARCLAYS BANK PLC, as  
Secured Party

By:

*[Signature]*  
Title: *SENIOR COLLABORATIVE MANAGER*

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TRADEMARK  
REEL: 1768 FRAME: 0696

SCHEDULE I

Attached to and forming a part of that certain  
Security Agreement dated May 20, 1998  
by Britt Allcroft, Inc., as Grantor to  
Barclays Bank PLC, as Secured Party

INTELLECTUAL PROPERTIES

A. [INTENTIONALLY OMITTED]



SCHEDULE II

Attached to and forming a part of that certain  
Security Agreement dated May 20, 1998  
by Britt Allcroft, Inc., as Grantor to  
Barclays Bank PLC, as Secured Party

CHIEF EXECUTIVE OFFICE

Chief Executive Office:

Britt Allcroft, Inc.  
1133 Broadway, Suite 1520  
New York, NY 10010

Former name of Grantor : Quality Family Entertainment, Inc.

SCHEDULE 6G

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TRADEMARK  
REEL: 1768 FRAME: 0699

Schedule 6(G)

[This Schedule is intentionally omitted from the version of this Security Agreement prepared for filing with the United States Patent and Trademark Office.]