

04-06-1999



101002286

3/29/99

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
 - Merger Change of Name
 - Other
- Effective Date
Month Day Year

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

- Individual General Partnership Limited Partnership Corporation Association
- Other
- Citizenship/State of Incorporation/Organization

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

- Individual General Partnership Limited Partnership Association
- Corporation Association
- Other
- Citizenship/State of Incorporation/Organization

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.)

04/05/1999 JSHABAZZ 00000117 75290455

FOR OFFICE USE ONLY

01 FC:481
02 FC:482

40.00 OP
25.00 DP

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0851-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0851-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

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: 1878 FRAME: 0117

Rep In. Ref: 04/05/99 JSHABAZZ 0009513600
Date: 03/29/99 Name Number: 75290455
FC: 704 \$15.00 CR

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)

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.

DANIEL M. CISLO, ESQ.

Name of Person Signing

Signature

3-25-94

Date Signed

RECORDING REQUESTED BY:

MERRILL LYNCH
BUSINESS FINANCIAL SERVICES, INC.
33 West Monroe Street, 22nd Floor
Chicago, Illinois 60603
Attention: Michael W. McGinnis

TRADEMARK SECURITY AGREEMENT

THIS TRADEMARK SECURITY AGREEMENT ("Agreement") dated as of December 10, 1998, made by ISLANDS PUBLISHING COMPANY, a California corporation (the "Grantor"), having its principal place of business at 6309 Carpenteria Avenue, Carpenteria, California in favor of MERRILL LYNCH BUSINESS FINANCIAL SERVICES, INC., a Delaware corporation ("Merrill Lynch"), located at 33 West Monroe Street, 22nd Floor, Chicago, Illinois 60603.

R E C I T A L S:

A. Grantor has executed and delivered to Merrill Lynch's affiliate, Merrill Lynch, Pierce, Fenner & Smith Incorporated, a Working Capital Management® Account Agreement No. 245-07985 (the "Account Agreement"), pursuant to which the Corporation subscribed to the "WCMA Program", as described in the Account Agreement.

B. In conjunction with the Account Agreement and as part of the WCMA Program, Merrill Lynch has provided, at Grantor's request, a commercial line of credit for Grantor (the "Line of Credit"). Grantor's indebtedness and obligations to Merrill Lynch in connection with the Line of Credit are evidenced and governed by a WCMA® Note, Loan and Security Agreement No. 245-07985 dated as of July 10, 1995 which was executed and delivered by Grantor to and in favor of Merrill Lynch ("Note"). Among other things, the Note incorporates the provisions of the Account Agreement. Further, pursuant to the Note, Merrill Lynch was granted a security interest in certain property of Grantor as described in the Note (the "Collateral").

C. The Account Agreement, Note and any other agreements or instruments executed by Grantor and/or any other person or entity in favor of Merrill Lynch in connection therewith are at times collectively referred to hereinafter as the "Loan Documents."

D. The Note had an original maturity date of July 31, 1996. Pursuant to various agreements between the parties, the maturity date of the Note was extended from time to time, with the last extension expiring on July 31, 1998.

E. As of December 2, 1998, a total sum of not less than \$1,213,238.05 is owing and unpaid under the Note. Neither Grantor nor any other party or entity has any defense or offset to this indebtedness.

F. Grantor has requested that Merrill Lynch extend the maturity date of the Note, and forbear, prior to the extended maturity date, from exercising certain of its rights and remedies under the Loan Documents, and Merrill Lynch has agreed to such extension and forbearance, subject to the terms, conditions, and provisions set forth in that certain Forbearance Agreement and Releases of even date herewith entered into by and among Grantor, Merrill Lynch and William J. Kasch (the "Forbearance Agreement"). The conditions to the effectiveness of the Forbearance Agreement include, without limitation, the requirement that Grantor grant Merrill Lynch a security interest in certain general intangibles, including the Intellectual Property Collateral (hereinafter defined), and the requirement that Grantor enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor agrees as follows:

1. Defined Terms. The following terms have the following meanings (such meanings being equally applicable to both the singular and plural forms of the terms defined):

"Agreement" means this Trademark, Security Agreement, as the same may from time to time be amended, modified or supplemented.

"Intellectual Property Collateral" has the meaning assigned to such term in Section 2 of this Agreement.

"Trademarks" means trademarks (including service marks and trade names, whether registered or at common law), registrations and applications therefor and any and all (i) renewals thereof, (ii) income, royalties, damages and payments now and hereafter due or payable or both with respect thereto including, without limitation, damages and payments for past or future infringements thereof, (iii) rights to sue for past, present and future infringements thereof, and (iv) rights corresponding thereto throughout the world.

The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole, including the Exhibits and Schedules hereto, and not to any particular section, subsection or clause contained in this Agreement.

2. Grant of Security Interest. In order to secure the complete and due and punctual payment of all of the obligations of Grantor to Merrill Lynch, Grantor hereby grants and conveys to Merrill Lynch as collateral security, a continuing security interest in all of Grantor's entire right, title and interest in and to intellectual property rights now owned or existing and hereafter acquired or arising in the following assets (all of which being hereinafter referred to as the "Intellectual Property Collateral"):

(a) those Trademarks of Grantor listed on Schedule A hereto (the "Pledged Trademarks"); and

(b) the entire goodwill of Grantor's business connected with the use of and symbolized by the Pledged Trademarks.

provided, however, that nothing hereunder constitutes or shall be deemed to constitute the grant of a security interest in favor of Merrill Lynch with respect to any Intellectual Property Collateral to the extent prohibited by applicable law.

3. Representations and Warranties; New Intellectual Property. Grantor represents and warrants that it has the full right and power to grant the security interests provided for in this Agreement (subject to the exceptions contained herein) in the Intellectual Property Collateral made hereby; that it has made no previous assignment, transfer or agreements in conflict herewith or constituting an assignment of, a transfer of or an encumbrance on any of the Intellectual Property Collateral. Grantor further represents and warrants that, to the best of Grantor's knowledge (i) the Intellectual Property Collateral does not infringe upon any rights owned or possessed by any entity not a party to this Agreement and, (ii) that it does not own or utilize any trade secrets in connection with the operation of its business.

4. Rights and Remedies; Application of Monies.

(a) Upon the occurrence and during the continuation of a default of any or all of Grantor's obligations to Merrill Lynch, Merrill Lynch may, to the fullest extent permitted by applicable law and without advertisement, hearing or process of law of any kind, (i) exercise any and all rights as beneficial and legal owner of the Intellectual Property Collateral, including, without limitation, any and all consensual rights and powers with respect to the Intellectual Property Collateral and (ii) sell or assign or grant a license or franchise to use, or cause to be sold or assigned or grant a license or franchise to use any or all of the Intellectual Property Collateral, in each case, free of all rights and claims of Grantor therein and thereto. Upon the occurrence and during the continuation of a default of any or all of Grantor's obligations to Merrill Lynch, Merrill Lynch may (i) sell or assign the Intellectual Property Collateral, or any part thereof, for cash or upon credit as Merrill Lynch may deem appropriate or (ii) grant licenses or franchises or both to use the Intellectual Property Collateral on such terms and conditions that Merrill Lynch shall determine. In connection therewith, Merrill Lynch shall have the right to impose such limitations and restrictions on the

sale or assignment of the Intellectual Property Collateral as Merrill Lynch may deem to be necessary or appropriate to comply with any law, rule or regulation (federal, state or local) having applicability to any such sale and requirements for any necessary governmental approvals.

(b) Except as provided in this Section 4, Grantor hereby expressly waives, to the fullest extent permitted by applicable law, any and all notices, advertisements, hearings or process of law in connection with the exercise by Merrill Lynch of any of its rights and remedies hereunder. Merrill Lynch shall not be liable to any person for any incorrect or improper payment made pursuant to this Section 4, in the absence of willful misconduct.

(c) Notwithstanding any provisions of this Agreement to the contrary, if, after giving effect to any sale, transfer, assignment or other disposition of any or all of the Intellectual Property Collateral pursuant hereto and after the application of the proceeds hereunder to the obligations of Grantor to Merrill Lynch, any said obligations remain unpaid or unsatisfied, Grantor shall remain liable for the unpaid and unsatisfied amount of such remaining obligations.

(d) This Agreement is made to provide for and secure repayment of the obligations of Grantor to Merrill Lynch.

5. Termination of Security Interest. This Agreement and the security interests created or granted hereby or thereby, shall terminate on the date that all of the obligations of Grantor to Merrill Lynch shall have been fully and indefeasibly paid and satisfied. After such termination, Merrill Lynch (without recourse upon, or any warranty whatsoever by, Merrill Lynch), shall execute and deliver to Grantor for filing in each office in which any security agreement, notice or other filing, or any part thereof, shall have been filed, an instrument releasing Merrill Lynch's security interest in the Intellectual Property Collateral, and such other documents and instruments to terminate any security interest of Merrill Lynch granted hereby as the Grantor may reasonably request, all without recourse upon, or warranty whatsoever by, Merrill Lynch (except that the same shall be free and clear of any claims, liens or encumbrances created by or in respect of Merrill Lynch) and all at the cost and expense of Grantor.

6. Use and Protection of Intellectual Property Collateral. Notwithstanding anything to the contrary contained herein, unless an Event of Default has occurred and is continuing, Grantor may continue to exploit, license, franchise, use, enjoy and protect (whether in the United States of America or any foreign jurisdiction) the Intellectual Property Collateral in the ordinary course of business and Merrill Lynch shall from time to time execute and deliver, upon written request of Grantor and at Grantor's sole cost and expense, any and all instruments, certificates or other documents, in the form so requested, necessary or appropriate in the judgment of Grantor to enable Grantor to do so.

7. Duties of Grantor. Grantor shall have the duty to preserve and maintain all rights in the Intellectual Property Collateral in respect of which a failure to be able to continue to use the same would have a material adverse effect on the ownership, operation or maintenance of its business and operations, in a manner substantially consistent with its present practices and shall take all action reasonably requested by Merrill Lynch to register, record and/or perfect Merrill Lynch's right hereunder.

8. Merrill Lynch's Right to Sue. Whenever Grantor shall have defaulted in any or all of its obligations to Merrill Lynch, Merrill Lynch shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce the Pledged Trademarks and, if Merrill Lynch shall commence any such suit, Grantor shall, at the request of Merrill Lynch, do any and all lawful acts and execute any and all proper documents required by Merrill Lynch in aid of such enforcement.

9. No Waiver; Cumulative Remedies. No failure on the part of Merrill Lynch to exercise, and no delay on the part of Merrill Lynch in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by Merrill Lynch preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies that may be available to Merrill Lynch whether at law, in equity or otherwise.

10. Notices, etc. All notices or other communications hereunder shall be given to Merrill Lynch as follows:

Merrill Lynch
Business Financial Services, Inc.
33 West Monroe Street, 22nd Floor
Chicago, Illinois 60603
Attention: Michael W. McGinnis

Notices to the Grantor should be addressed to:

Islands Publishing Company
6309 Carpenteria Avenue
Carpenteria, California 93013
Attention: William J. Kasch

11. Expenses of Collection. Grantor hereby agrees to pay all expenses of Merrill Lynch, including reasonable attorneys' fees, incurred with respect to the collection of any of the Intellectual Property Collateral and the enforcement of the rights of Merrill Lynch hereunder which expenses together with interest thereon at the rate provided in the Note shall constitute obligations of Grantor to Merrill Lynch thereunder and, therefore, secured hereby.

12. Attorney-in-Fact. Grantor hereby irrevocably constitutes and appoints Merrill Lynch and any officer or agent thereof, with full power of substitution, as Grantor's true and lawful attorney-in-fact, for the purpose of taking such action and executing agreements, instruments and other documents, in the name of Grantor or otherwise, not inconsistent with the express provisions of this Agreement, as Merrill Lynch may deem necessary or advisable to accomplish the purposes hereof, which appointment is an agency coupled with an interest and is irrevocable until payment in full of all obligations of Grantor to Merrill Lynch.

Merrill Lynch agrees that except upon the occurrence and during the continuation of an Event of Default, it will forbear from exercising the power of attorney or any rights granted to Merrill Lynch pursuant to this Section 12.

13. Agreement Governing Law; Binding Character; Assignment. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to principles of conflicts of law. This Agreement shall be binding upon Grantor and Merrill Lynch and their respective successors and assigns and shall inure to the benefit of Grantor and Merrill Lynch, and their respective successors and assigns; provided, however, that Grantor may not assign its rights or obligations hereunder or in connection herewith or any interest herein (voluntarily, by operation of law or otherwise) without the prior written consent of Merrill Lynch. No other person (including, without limitation, any other creditor of Grantor) shall have any interest herein or any right or benefit with respect hereto and this Agreement shall not be construed so as to confer any right or benefit upon any person other than the parties to this Agreement and each of their respective successors and assigns.

14. Further Indemnification. Grantor agrees to pay, and save Merrill Lynch harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all excise, sales or other similar taxes which may be payable with respect to the Intellectual Property Collateral or in connection with any of the transactions contemplated by this Agreement.

15. WAIVER OF JURY TRIAL. GRANTOR WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT OR ANY OF THE LOAN DOCUMENTS, INCLUDING, WITHOUT LIMITATION, ANY CLAIMS OR COUNTERCLAIMS GROUNDED IN CONTRACT OR TORT.

16. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

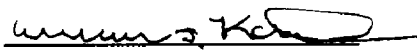
17. Headings. Paragraph and section headings used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

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

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

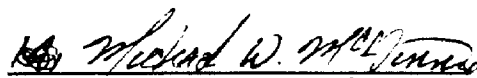
(SEAL)

ISLANDS PUBLISHING COMPANY,
a California corporation

By: 
Name: William J. Kasch
Its: President

(SEAL)

**MERRILL LYNCH BUSINESS
FINANCIAL SERVICES, INC.**

By: 
Name: MICHAEL W. MCLINN
Its: SPECIAL ACCOUNTS SUPERVISOR

[ALL SIGNATURES MUST BE ACKNOWLEDGED]

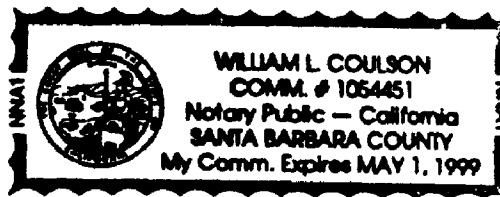
STATE OF CALIFORNIA)
) ss.
COUNTY OF Santa Barbara)

On December 23, 1998 before me, William L. Coulson,
Notary Public, personally
appeared William J. Kasch, personally known to
me (~~or proved to me on the basis of satisfactory evidence~~) to be
the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/~~she/they~~ executed the
same in his/~~her/their~~ authorized capacity(ies), and that by
his/~~her/their~~ signature(s) on the instrument the person(s), or the
entity upon behalf of which the person(s) acted executed the
instrument.

WITNESS my hand and official seal.

(Seal)

Signature 



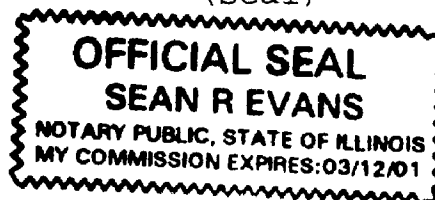
ILLINOIS
STATE OF ~~CALIFORNIA~~)
) ss.
COUNTY OF COOK)

On JANUARY 4TH, 1999 before me, SEAN EVANS, personally
appeared MICHAEL W. MCGINNIS, personally known to
me (or proved to me on the basis of satisfactory evidence) to be
the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the
same in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s), or the
entity upon behalf of which the person(s) acted executed the
instrument.

WITNESS my hand and official seal.

(Seal)

Signature 



SCHEDULE A
to the
Trademark Security Agreement between
ISLANDS PUBLISHING COMPANY
and
MERRILL LYNCH BUSINESS FINANCIAL SERVICES, INC.

1. REGISTERED MARKS --- None

2. APPLICATIONS PENDING FOR REGISTERED MARKS

<u>Mark</u>	<u>Date of Filing</u>	<u>Description of Services</u>
AQUA Serial # 75/290,455	May 12, 1997	See attached specimen
ISLANDS Serial # 75-573,767	October 20, 1998	See attached specimen

3. UNREGISTERED MARKS

<u>Mark</u>	<u>Description of Services</u>
_____ N/A _____	_____

4. PENDING INTERNATIONAL TRADEMARK REGISTRATIONS

<u>Mark</u>	<u>Country</u>	<u>Filing Date</u>	<u>Registration No</u>	<u>Class Description</u>
	N/A			