

FORM PTO-1594
(Rev. 6-93)

OMB No. 0651-0011 (exp. 4/94)

Tab Settings

RE

05-22-2001

SHEET

U.S. DEPARTMENT OF COMM
Patent and Trademark

.Y

To the Honorable Commissioner of P.

101725442

attached original documents or copy thereof.

1. Name of conveying party(ies):

LEARNINGSTAR CORP.
2 Lower Ragsdale Drive, Suite 200
Monterey, CA 93940

- ☐ Individual(s) ☐ Association
☐ General Partnership ☐ Limited Partnership
☒ Corporation-State Delaware
☐ Other

Additional name(s) of conveying party(ies) attached? ☒ Yes ☐ No

3. Nature of conveyance:

- ☐ Assignment ☐ Merger
☒ Security Agreement ☐ Change of Name
☐ Other

Execution Date: April 30, 2001

2. Name and address of receiving party(ies)

Name: GMAC BUSINESS CREDIT, LLC, as Agent

Internal Address: Suite 220

Street Address: 55 South Lake Avenue

City: Pasadena State: CA ZIP: 91101

- ☐ Individual(s) citizenship
☐ Association
☐ General Partnership
☐ Limited Partnership
☐ Corporation-State
☒ Other Delaware limited liability company

If assignee is not domiciled in the United States, a domestic representative design is attached: ☐ Yes ☐ No

(Designations must be a separate document from assignment)

Additional name(s) & address(es) attached? ☐ Yes ☒ No

4. Application number(s) or patent number(s):

A. Trademark Application No.(s)

Please see attached Schedule A.

B. Trademark Registration No.(s)

Please see attached Schedule A.

Additional numbers attached? ☒ Yes ☐ No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: BROBECK, PHLEGER & HARRISON LLP

Internal Address:

Attn: Kimberley A. Lathrop

Street Address: 550 South Hope Street

City: Los Angeles State: CA ZIP: 90071

6. Total number of applications and registrations involved:

34

7. Total fee (37 CFR 3.41):

\$ 865.00

- ☒ Enclosed
☐ Authorized to be charged to deposit account

8. Deposit account number:

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

3. 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.

Kimberley A. Lathrop
Name of Person SigningKimberley A. Lathrop
Signature05-14-01
Date

Total number of pages including cover sheet, attachments, and document: 82

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patents & Trademarks, Box AssignmentsTRADEMARK
REEL: 002299 FRAME: 0855

1. Additional names of conveying parties:

EARLYCHILDHOOD LLC, a California limited liability company;
SMARTERKIDS.COM, INC., a Delaware corporation, formerly known as Virtual Knowledge, Inc., a Delaware corporation, also formerly known as Virtual Entertainment, Inc., a Delaware corporation; and
EDUCATIONAL PRODUCTS, INC., a Texas corporation;

SCHEDULE A

to the Trademark Security Agreement
Trademarks of Debtors

ECH Registered Trademarks / Service Marks:

- 1 DANDI-LI-ON (#1,344,758)
June 25, 1985 Date of issuance
- 2 RAINBOW (#1,412,843)
October 14, 1986 Date of issuance
- 3 BIOCOLOR (#1,818,908)
February 1, 1994 Date of issuance
- 4 EARLY CHILDHOOD NEWS (#1,852,370)
September 6, 1994 Date of issuance
- 5 FLEXITEMP (#1,968,549)
April 16, 1996 Date of issuance
- 6 LITTLE BIT O'PAINT (#1,987,941)
July 23, 1996 Date of issuance
- 7 BASIC BRIGHTS (#2,004,364)
October 1, 1996 Date of issuance
- 8 FIRST ART (#2,048,585)
April 1, 1997 Date of issuance
- 9 THE IMAGINATION PLAYGROUND (#2,052,213)
April 15, 1997 Date of issuance
- 10 SQUEEZEABLES (#2,209,045)
December 8, 1998 Date of issuance
- 11 LIFELONG LEARNING STARTS HERE (#2,389,794)
September 26, 2000 Date of issuance

ECH Trademark / Service Mark Applications:

- 12 MARBLEATIONS (App. #75/668393)
December 8, 1999 Application Filing Date
Status: *Application Pending*
- 13 (DESIGN LOGO – Child Reaching for Star – Website) (App. #76/080198)
June 29, 2000 Application Filing Date
Status: *Application Pending*
- 14 COLORATIONS (App. #76/128073) (App #76/128208)
September 14, 2000 Applications Filing Date

A-1

SCHEDULE A (cont'd)

Status: *Applications Pending*

- 15 COLORS LIKE ME (App. #76/148346)
October 17, 2000 Application Filing Date
Status: *Application pending*
- 16 DESIGN LOGO – Child Reaching for Star- Catalog (App. #76/205364)
February 7, 2001 Application Filing Date
Status: *Application pending*
- 17 BIOPUTTY (App. #76/205365)
February 7, 2001 Application Filing Date
Status: *Application pending*
- 18 CHILD CARE CENTRAL (App. #76/205363)
February 7, 2001 Application Filing Date
Status: *Application pending*
- 19 COMPLETING THE CIRCLE BETWEEN TEACHERS AND PARENTS (Website) (App. #76/205360)
February 7, 2001 Application Filing Date
Status: *Application pending*
- 20 COMPLETING THE CIRCLE BETWEEN TEACHERS AND PARENTS. (Catalog)
(App. #76/205361)
February 7, 2001 Application Filing Date
Status: *Application pending*
- 21 MOO-NAY (App. #76/205362)
February 7, 2001 Application Filing Date
Status: *Application pending*

SK Registered Trademarks / Service Marks:

- 22 U.S. Trademark Reg. No. 2,280,853
Mark SMART KIDS'
Registered September 28, 1999

SK Trademark / Service Mark Applications:

- 23 U.S. trademark application, Serial No. 75/400, 480
Mark SMARTERKIDS
Filed December 5, 1997
- 24 U.S. trademark application, Serial No. 75/401, 039

A-2

SCHEDULE A (cont'd)

Mark SMARTERKIDS
Filed December 5, 1997

25 U.S. trademark application, Serial No. 75/401, 216
Mark SMARTERKIDS.COM
Filed December 5, 1997

26 U.S. trademark application, Serial No. 75/525,063
Mark SMARTERKIDS.COM
Filed July 24, 1998

Virtual Knowledge, Inc., a former name of SK, is the registered owner of the following trademarks:

27 U.S. Trademark Reg. No. 2,193,010
Mark VIRTUAL ENTERTAINMENT and Design
Registered October 6, 1998

28 U.S. Trademark Reg. No. 2,148,273
Mark VIRTUAL KNOWLEDGE
Registered March 31, 1998

EPI owns the following registered trademarks and applications:

29 EPI Pencil Logo
USPTO registration # 2,426,073
Issued February 6, 2001

30 EPI & Compass and Glue Design
USPTO registration # 2,420,472
Issued January 16, 2001

31 Econoboard
USPTO registration # 2,424,420
Issued January 30, 2001

32 EPI
USPTO registration # 2,426,072

A-3

SCHEDULE A (cont'd)

Issued February 6, 2001

- 43 Proboard
USPTO registration # 2,328,357
Issued March 14, 2000

EPI has filed the following trademark applications:

- 34 School Wrap Pac
Application # 75/551,627
Status: *Application Pending*

TRADEMARK SECURITY AGREEMENT

This **TRADEMARK SECURITY AGREEMENT** (this "Agreement"), dated as of April 30, 2001 is made by and among **LEARNINGSTAR CORP.**, a Delaware corporation ("Parent"), and certain of Parent's Subsidiaries identified on the signature pages hereof (Parent and such Subsidiaries are referred to hereinafter each individually as a "Debtor", and individually and collectively, jointly and severally, as the "Debtors"), in favor of **GMAC BUSINESS CREDIT, LLC**, a Delaware limited liability company, as the Agent for the Lenders (in such capacity, together with its successors, if any, in such capacity, "Secured Party").

RECITALS

WHEREAS, Parent, Earlychildhood LLC, a California limited liability company ("ECH"), Smarterkids.com, Inc., a Delaware corporation, formerly known as Virtual Knowledge, Inc., a Delaware corporation, also formerly known as Virtual Entertainment, Inc., a Delaware corporation ("SK"), and Educational Products Inc., a Texas corporation ("EPI"; EPI together with ECH are referred to hereinafter each individually as a "Borrower", and individually and collectively, jointly and severally, as the "Borrowers"), and the Lender Group have entered into that certain Loan and Security Agreement, of even date herewith (as amended, restated, modified, renewed or extended from time to time, the "Loan Agreement"), pursuant to which the Lender Group has agreed to make certain financial accommodations to the Borrowers, and pursuant to which each Borrower and SK have granted to Secured Party for the benefit of the Lender Group security interests in (among other things) all or substantially all of the general intangibles of such Borrower and SK.

WHEREAS, each Debtor has entered into that certain General Continuing Guaranty, of even date herewith (the "Guaranty"), in favor of Secured Party respecting certain obligations of the other Debtors to the Lender Group.

WHEREAS, Parent and Secured Party have entered into that certain Security Agreement, of even date herewith (the "Parent Security Agreement"), pursuant to which Parent has granted to Secured Party, for the benefit of the Lender Group, security interests in (among other things) all or substantially all of the general intangibles of Parent.

WHEREAS, SK and Secured Party have entered into that certain Security Agreement, of even date herewith (the "SK Security Agreement"), pursuant to which SK has granted to Secured party, for the benefit of the Lender Group, security interests in (among other things) all or substantially all of the general intangibles of SK.

WHEREAS, pursuant to the Loan Agreement and the other Loan Documents and as one of the conditions precedent to the obligations of the Lender Group under the Loan Agreement, each of the Debtors has agreed to execute and deliver this Agreement to Secured

Party for filing with the PTO and with any other relevant recording systems in any domestic jurisdiction, and as further evidence of and to effectuate Secured Party's existing security interests in the trademarks and other general intangibles described herein.

ASSIGNMENT

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which is hereby acknowledged, each Debtor hereby agrees in favor of Secured Party as follows:

1. Definitions; Interpretation.

(a) Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Agreement" shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

"Borrower" and "Borrowers" shall have the respective meanings ascribed to such terms in the recitals to this Agreement.

"Debtor" and "Debtors" shall have the respective meanings ascribed to such terms in the introductory paragraph of this Agreement.

"Event of Default" means any Event of Default under the Loan Agreement.

"Guaranty" shall have the meaning ascribed to such term in the recitals to this Agreement.

"Lender Group" means, individually and collectively, each of the Lenders and Secured Party.

"Lenders" means, individually and collectively, each of the financial institutions identified on the signature pages of the Loan Agreement, and any other Person made a party thereto in accordance with the provisions of Section 14 thereof (together with their respective successors and assigns).

"Loan Agreement" shall have the meaning ascribed to such term in the recitals to this Agreement.

"Parent" shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

"Parent Security Agreement" shall have the meaning ascribed to such term in the recitals to this Agreement.

"Proceeds" means whatever is receivable or received from or upon the sale, lease, license, collection, use, exchange or other disposition, whether voluntary or involuntary, of any Trademark Collateral, including "proceeds" as defined at UCC Section 9306, and all proceeds of proceeds. Proceeds shall include (i) any and all accounts, chattel paper, instruments, general intangibles, cash and other proceeds, payable to or for the account of a Debtor, from time to time in respect of any of the Trademark Collateral, (ii) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to or for the account of a Debtor from time to time with respect to any of the Trademark Collateral, (iii) any and all claims and payments (in any form whatsoever) made or due and payable to a Debtor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Trademark Collateral by any Person acting under color of governmental authority, and (iv) any and all other amounts from time to time paid or payable under or in connection with any of the Trademark Collateral or for or on account of any damage or injury to or conversion of any Trademark Collateral by any Person.

"PTO" means the United States Patent and Trademark Office and any successor thereto.

"Secured Obligations" shall mean, with respect to each Debtor, all liabilities, obligations, or undertakings owing by such Debtor to the Lender Group of any kind or description arising out of or outstanding under, advanced or issued pursuant to, or evidenced by the Loan Agreement, the Guaranty, any of the other Loan Documents, or this Agreement, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, voluntary or involuntary, whether now existing or hereafter arising, and including all interest (including interest that accrues after the filing of a case under the Bankruptcy Code) and any and all costs, fees (including attorneys fees), and expenses which such Debtor is required to pay pursuant to any of the foregoing, by law, or otherwise.

"Secured Party" shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

"SK Security Agreement" shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

"Trademark Collateral" has the meaning set forth in Section 2.

"Trademarks" has the meaning set forth in Section 2.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of California.

"United States" and "U.S." each mean the United States of America.

(b) Terms Defined in UCC. Where applicable and except as otherwise defined herein, terms used in this Agreement shall have the meanings assigned to them in the UCC.

(c) Interpretation. In this Agreement, except to the extent the context otherwise requires:

(i) Any reference to a Section or a Schedule is a reference to a section hereof, or a schedule hereto, respectively, and to a subsection or a clause is, unless otherwise stated, a reference to a subsection or a clause of the Section or subsection in which the reference appears.

(ii) The words “hereof,” “herein,” “hereto,” “hereunder” and the like mean and refer to this Agreement as a whole and not merely to the specific Section, subsection, paragraph or clause in which the respective word appears.

(iii) The meaning of defined terms shall be equally applicable to both the singular and plural forms of the terms defined.

(iv) The words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation.”

(v) References to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto.

(vi) References to statutes or regulations are to be construed as including all statutory and regulatory provisions consolidating, amending or replacing the statute or regulation referred to.

(vii) Any captions and headings are for convenience of reference only and shall not affect the construction of this Agreement.

(viii) Capitalized words not otherwise defined herein shall have the respective meanings assigned to them in the Loan Agreement.

(ix) In the event of a direct conflict between the terms and provisions of this Agreement and the Loan Agreement, or between the terms and provisions of this Agreement and the Security Agreement, it is the intention of the parties hereto that such documents shall be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict between this Agreement and the Loan Agreement that cannot be resolved as aforesaid, the terms and provisions of the Loan Agreement shall control and govern; provided, however, that the inclusion herein of additional obligations on the part of any Debtor and supplemental rights and remedies in favor of Secured Party for the benefit of the Lender Group (whether under federal law or

applicable California law), in each case in respect of the Trademark Collateral, shall not be deemed a conflict in the Loan Agreement. In the event of any actual, irreconcilable conflict between this Agreement and the Security Agreement that cannot be resolved as aforesaid, the terms and provisions of this Agreement shall control and govern.

2. Security Interest.

(a) Assignment and Grant of Security in respect of the Secured Obligations. To secure the prompt payment and performance of the Secured Obligations, each Debtor hereby grants, assigns, transfers and conveys to Secured Party, for the benefit of the Lender Group, a continuing security interest in all of such Debtor's right, title and interest in and to the following property, whether now existing or hereafter acquired or arising in which such Debtor now has or hereafter acquires or develops an interest, whether registered or unregistered wherever the same may be located (collectively, the "Trademark Collateral"):

(i) all state (including common law) and federal trademarks, service marks and trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, together with and including all licenses therefor held by such Debtor, and all registrations and recordings thereof, and all applications filed or to be filed in connection therewith, including registrations and applications in the PTO, any State of the United States (but excluding each application to register any trademark, service mark, or other mark prior to the filing under applicable law of a verified statement of use (or the equivalent) for such trademark or service mark) and all extensions or renewals thereof, including without limitation any of the foregoing identified on Schedule A hereto (as the same may be amended, modified or supplemented from time to time), and the right (but not the obligation) to register claims under any state or federal trademark law or regulation and to apply for, renew and extend any of the same, to sue or bring opposition or cancellation proceedings in the name of the applicable Debtor or in the name of Secured Party or in the name of Secured Party for the benefit of the Lender Group for past, present or future infringement or unconsented use thereof, and all rights arising therefrom throughout the world (collectively, the "Trademarks");

(ii) all claims, causes of action and rights to sue for past, present or future infringement or unconsented use of any Trademarks and all rights arising therefrom and pertaining thereto;

(iii) all general intangibles related to or arising out of any of the Trademarks and all the goodwill of Debtors' business symbolized by the Trademarks or associated therewith; and

(iv) all Proceeds of any and all of the foregoing.

(b) Continuing Security Interest. Each Debtor hereby agrees that this Agreement shall create a continuing security interest in the Trademark Collateral which shall remain in effect until terminated in accordance with Section 18.

(c) Incorporation into Loan Agreement. Without limiting the foregoing, the Trademark Collateral described in this Agreement shall constitute part of the Collateral in the Loan Agreement or the Security Agreement, as applicable.

(d) Licenses. Anything in the Loan Agreement or this Agreement to the contrary notwithstanding, each Debtor may grant non-exclusive licenses of the Trademark Collateral (subject to the security interest of Secured Party therein) in the ordinary course of business consistent with past practice.

3. Further Assurances; Appointment of Secured Party as Attorney-in-Fact. Each Debtor at its expense shall execute and deliver, or cause to be executed and delivered, to Secured Party any and all documents and instruments, in form and substance reasonably satisfactory to Secured Party, and take any and all action, which Secured Party, in the exercise of its Permitted Discretion, may request from time to time, to perfect and continue the perfection or to maintain the priority of, or provide notice of the security interest in the Trademark Collateral held by Secured Party for the benefit of the Lender Group and to accomplish the purposes of this Agreement. If any Debtor refuses to execute and deliver, or fails timely to execute and deliver, any of the documents it is requested to execute and deliver by Secured Party in accordance with the foregoing, Secured Party shall have the right, in the name of such Debtor, or in the name of Secured Party or otherwise, without notice to or assent by such Debtor, and each Debtor hereby irrevocably constitutes and appoints Secured Party (and any of Secured Party's officers or employees or agents designated by Secured Party) as such Debtor's true and lawful attorney-in-fact with full power and authority, (i) to sign the name of such Debtor on all or any of such documents or instruments and perform all other acts that Secured Party in the exercise of its Permitted Discretion deems necessary in order to perfect or continue the perfection of, maintain the priority or enforceability of or provide notice of the security interest in the Trademark Collateral held by Secured Party for the benefit of the Lender Group, and (ii) to execute any and all other documents and instruments, and to perform any and all acts and things for and on behalf of such Debtor, which Secured Party, in the exercise of its Permitted Discretion, may deem necessary or advisable to maintain, preserve and protect the Trademark Collateral and to accomplish the purposes of this Agreement, including (A) after the occurrence and during the continuance of any Event of Default, to defend, settle, adjust or institute any action, suit or proceeding with respect to the Trademark Collateral, (B) after the occurrence and during the continuation of any Event of Default, to assert or retain any rights under any license agreement for any of the Trademark Collateral, and (C) after the occurrence and during the continuance of any Event of Default, to execute any and all applications, documents, papers and instruments for Secured Party to use the Trademark Collateral, to grant or issue any exclusive or non-exclusive license with respect to any Trademark Collateral, and to assign, convey or otherwise transfer title in or dispose of the Trademark Collateral. The power of attorney set forth in this Section 3, being coupled with an interest,

is irrevocable so long as this Agreement shall not have terminated in accordance with Section 18; provided that the foregoing power of attorney shall terminate when all of the Secured Obligations have been fully and finally repaid and performed and Secured Party's obligation to extend credit under the Loan Agreement is terminated.

4. Representations and Warranties. Each Debtor represents and warrants to each member of the Lender Group, in each case to the best of its knowledge, information, and belief, as follows:

(a) No Other Trademarks. Schedule A sets forth a true and correct list of all of the existing Trademarks of such Debtor that are registered, or for which any application for registration has been filed with the PTO or any corresponding or similar trademark office of any other U.S. jurisdiction, and that are owned or held (whether pursuant to a license or otherwise) and used by such Debtor.

(b) Trademarks Subsisting. Each of the Trademarks of such Debtor listed in Schedule A is subsisting and has not been adjudged invalid or unenforceable, in whole or in part, and, to the best of such Debtor's knowledge, each of the Trademarks set forth on Schedule A is valid and enforceable.

(c) Ownership of Trademark Collateral; No Violation. (i) Such Debtor has rights in and good and defensible title to the existing Trademark Collateral, (ii) with respect to the Trademark Collateral shown on Schedule A hereto as owned by it, such Debtor is the sole and exclusive owner thereof, free and clear of any Liens and rights of others (other than the security interest created hereunder and other than Permitted Liens), including licenses, registered user agreements and covenants by such Debtor not to sue third persons, and (iii) with respect to any Trademarks for which such Debtor is either a licensor or a licensee pursuant to a license or licensing agreement regarding such Trademark, each such license or licensing agreement is in full force and effect, such Debtor is not in material default of any of its obligations thereunder and, (i) other than the parties to such licenses or licensing agreements, or (ii) in the case of any non-exclusive license or license agreement entered into by such Debtor or any such licensor regarding such Trademark, the parties to any other such non-exclusive licenses or license agreements entered into by such Debtor or any such licensor with any other Person, no other Person has any rights in or to any of the Trademark Collateral. To the best of each Debtor's knowledge, the past, present and contemplated future use of the Trademark Collateral by such Debtor has not, does not and will not infringe upon or violate any right, privilege or license agreement of or with any other Person or give any such Person the right to terminate any such right, privilege or license agreement.

(d) No Infringement. To the best of such Debtor's knowledge, (i) no material infringement or unauthorized use presently is being made of any of the Trademark Collateral by any Person, and (ii) the past, present, and contemplated future use of the Trademark Collateral by such Debtor has not, does not and will not infringe upon or violate

any right, privilege, or license arrangement of or with any other Person or give such Person the right to terminate any such license arrangement.

(e) Powers. Such Debtor has the unqualified right, power and authority to pledge and to grant to Secured Party security interests in the Trademark Collateral pursuant to this Agreement, and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person except as already obtained.

5. Covenants. So long as any of the Secured Obligations remain unsatisfied, each Debtor agrees: (i) that it will comply in all material respects with all of the covenants, terms and provisions of this Agreement, and (ii) that it will promptly give Secured Party written notice of the occurrence of any event that could have a material adverse effect on any of the Trademarks and the Trademark Collateral, including any petition under the Bankruptcy Code filed by or against any licensor of any of the Trademarks for which such Debtor is a licensee.

6. Future Rights. For so long as any of the Secured Obligations shall remain outstanding, or, if earlier, until Secured Party shall have released or terminated, in whole but not in part, its interest in the Trademark Collateral, if and when any Debtor shall obtain rights to any new Trademarks, or any reissue, renewal or extension of any Trademarks, the provisions of Section 2 shall automatically apply thereto and the applicable Debtor shall give to Secured Party prompt notice thereof. Each Debtor shall do all things reasonably deemed necessary by Secured Party in the exercise of its Permitted Discretion to ensure the validity, perfection, priority and enforceability of the security interests of Secured Party in such future acquired Trademark Collateral. If any Debtor refuses to execute and deliver, or fails timely to execute and deliver, any of the documents it is requested to execute and deliver by Agent in connection herewith, each Debtor hereby authorizes Secured Party to modify, amend or supplement the Schedules hereto and to re-execute this Agreement from time to time on such Debtor's behalf and as its attorney-in-fact to include any future Trademarks which are or become Trademark Collateral and to cause such re-executed Agreement or such modified, amended or supplemented Schedules to be filed with the PTO.

7. Duties of Secured Party and the Lender Group. Notwithstanding any provision contained in this Agreement, neither Secured Party nor any member of the Lender Group shall have any duty to exercise any of the rights, privileges or powers afforded to it and shall not be responsible to the Debtors or any other Person for any failure to do so or delay in doing so. Except for the accounting for moneys actually received by Secured Party or any other member of the Lender Group hereunder or in connection herewith, neither Secured Party nor any member of the Lender Group shall have any duty or liability to exercise or preserve any rights, privileges or powers pertaining to the Trademark Collateral.

8. Events of Default. The occurrence of any "Event of Default" under the Loan Agreement shall constitute an Event of Default hereunder.

9. Remedies. From and after the occurrence and during the continuation of an Event of Default, Secured Party shall have all rights and remedies available to it under the Loan Agreement and applicable law (which rights and remedies are cumulative) with respect to the security interests in any of the Trademark Collateral. Each Debtor hereby agrees that such rights and remedies include the right of Secured Party as a secured party to sell or otherwise dispose of the Trademark Collateral after default, pursuant to UCC Section 9504. Each Debtor hereby agrees that Secured Party shall at all times have such royalty-free licenses, to the extent permitted by law and the Loan Documents, for any Trademark Collateral that is reasonably necessary to permit the exercise of any of Secured Party's rights or remedies upon or after the occurrence of (and during the continuance of) an Event of Default with respect to (among other things) any tangible asset of such Debtor in which Secured Party has a security interest, including Secured Party's rights to sell inventory, tooling or packaging which is acquired by such Debtor (or its successor, assignee or trustee in bankruptcy). In addition to and without limiting any of the foregoing, upon the occurrence and during the continuance of an Event of Default, Secured Party shall have the right but shall in no way be obligated to bring suit, or to take such other action as Secured Party, in the exercise of its Permitted Discretion, deems necessary, in the name of any Debtor or Secured Party, to enforce or protect any of the Trademark Collateral, in which event any such Debtor shall, at the request of Secured Party, do any and all lawful acts and execute any and all documents required by Secured Party necessary to such enforcement. To the extent that Secured Party shall elect not to bring suit to enforce such Trademark Collateral, the applicable Debtor, in the exercise of its reasonable business judgment, agrees to use all reasonable measures and its diligent efforts, whether by action, suit, proceeding or otherwise, to prevent the infringement, misappropriation or violation thereof by others and for that purpose agrees diligently to maintain any action, suit or proceeding against any Person necessary to prevent such infringement, misappropriation or violation.

10. Binding Effect. This Agreement shall be binding upon, inure to the benefit of and be enforceable by each of the Debtors and Secured Party for the benefit of the Lender Group and their respective successors and assigns.

11. Notices. All notices and other communications hereunder shall be in writing and shall be mailed, sent or delivered in accordance with the Loan Agreement.

12. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the federal laws of the United States of America and the laws of the State of California.

13. Entire Agreement; Amendment. This Agreement and the other Loan Documents, together with the Schedules hereto and thereto, contains the entire agreement of the parties with respect to the subject matter hereof and supersede all prior drafts and communications relating to such subject matter. Neither this Agreement nor any provision hereof may be modified, amended or waived except by the written agreement of the parties to this Agreement. Notwithstanding the foregoing, Secured Party may reexecute this

Agreement or modify, amend or supplement the Schedules hereto as provided in Section 6 hereof.

14. Severability. If one or more provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect in any jurisdiction or with respect to any party, such invalidity, illegality or unenforceability in such jurisdiction or with respect to such party shall, to the fullest extent permitted by applicable law, not invalidate or render illegal or unenforceable any such provision in any other jurisdiction or with respect to any other party, or any other provisions of this Agreement.

15. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

16. Loan Agreement. Each Debtor acknowledges that the rights and remedies of Secured Party with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Loan Agreement and the Security Agreement and all such rights and remedies are cumulative.

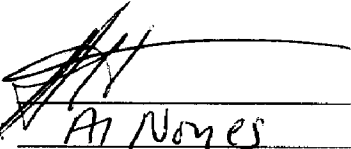
17. No Inconsistent Requirements. Each Debtor acknowledges that this Agreement and the other Loan Documents may contain covenants and other terms and provisions variously stated regarding the same or similar matters, and such Debtor agrees that all such covenants, terms and provisions are cumulative and all shall be performed and satisfied in accordance with their respective terms. Each Debtor agrees that, to the extent of any conflict between the provisions of this Agreement and the Loan Agreement, the provisions of the Loan Agreement shall govern. Each Debtor further agrees that, to the extent of any conflict between the provisions of this Agreement and the Security Agreement, the provisions of this Agreement shall govern.

18. Termination. Upon the payment and performance in full in cash of the Secured Obligations, including the cash collateralization, expiration, or cancellation of all Secured Obligations, if any, consisting of letters of credit, and the full and final termination of any commitment to extend any financial accommodations under the Loan Agreement, this Agreement shall terminate, and Secured Party shall execute and deliver such documents and instruments and take such further action reasonably requested by Debtors, at Debtors' expense, as shall be necessary to evidence termination of the security interest granted by Debtors to Secured Party for the benefit of the Lender Group hereunder, including cancellation of this Agreement by written notice from Secured Party to the PTO.

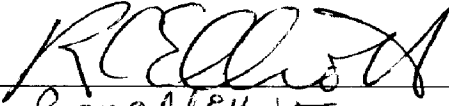
[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

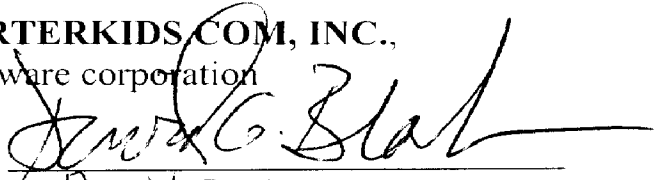
LEARNINGSTAR CORP.,
a Delaware corporation

By: 
Name: Ar Noyes
Title: Chairman

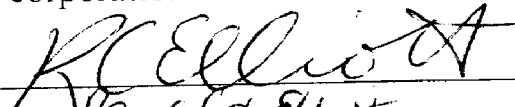
EARLYCHILDHOOD LLC,
a California limited liability company

By: 
Name: Ronald Elliott
Title: President

SMARTERKIDS.COM, INC.,
a Delaware corporation

By: 
Name: David Blohm
Title: CEO

EDUCATIONAL PRODUCTS, INC.,
a Texas corporation

By: 
Name: Ronald Elliott
Title: President

GMAC BUSINESS CREDIT, LLC,
a Delaware limited liability company, as Agent

By: _____
Name: _____
Title: _____

[Trademark Security Agreement]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

LEARNINGSTAR CORP.,
a Delaware corporation

By: _____
Name: _____
Title: _____

EARLYCHILDHOOD LLC,
a California limited liability company

By: _____
Name: _____
Title: _____

SMARTERKIDS.COM, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

EDUCATIONAL PRODUCTS, INC.,
a Texas corporation

By: _____
Name: _____
Title: _____

GMAC BUSINESS CREDIT, LLC,
a Delaware limited liability company, as Agent

By: Mark A. Deneen
Name: MARK A. DENEEN
Title: MANAGING DIRECTOR

[Trademark Security Agreement]

SCHEDULE A

to the Trademark Security Agreement
Trademarks of Debtors

ECH Registered Trademarks / Service Marks:

DANDI-LI-ON (#1,344,758)

June 25, 1985 Date of issuance

RAINBOW (#1,412,843)

October 14, 1986 Date of issuance

BIOCOLOR (#1,818,908)

February 1, 1994 Date of issuance

EARLY CHILDHOOD NEWS (#1,852,370)

September 6, 1994 Date of issuance

FLEXITEMP (#1,968,549)

April 16, 1996 Date of issuance

LITTLE BIT O'PAINT (#1,987,941)

July 23, 1996 Date of issuance

BASIC BRIGHTS (#2,004,364)

October 1, 1996 Date of issuance

FIRST ART (#2,048,585)

April 1, 1997 Date of issuance

THE IMAGINATION PLAYGROUND (#2,052,213)

April 15, 1997 Date of issuance

SQUEEZEABLES (#2,209,045)

December 8, 1998 Date of issuance

LIFELONG LEARNING STARTS HERE (#2,389,794)

September 26, 2000 Date of issuance

ECH Trademark / Service Mark Applications:

MARBLEATIONS (App. #75/668393)

December 8, 1999 Application Filing Date

Status: *Application Pending*

(DESIGN LOGO – Child Reaching for Star – Website) (App. #76/080198)

June 29, 2000 Application Filing Date

Status: *Application Pending*

COLORATIONS (App. #76/128073) (App #76/128208)

September 14, 2000 Applications Filing Date

SCHEDULE A (cont'd)

Status: *Applications Pending*

COLORS LIKE ME (App. #76/148346)
October 17, 2000 Application Filing Date
Status: *Application pending*

DESIGN LOGO – Child Reaching for Star- Catalog (App. #76/205364)
February 7, 2001 Application Filing Date
Status: *Application pending*

BIOPUTTY (App. #76/205365)
February 7, 2001 Application Filing Date
Status: *Application pending*

CHILD CARE CENTRAL (App. #76/205363)
February 7, 2001 Application Filing Date
Status: *Application pending*

COMPLETING THE CIRCLE BETWEEN TEACHERS AND PARENTS (Website) (App. #76/205360)
February 7, 2001 Application Filing Date
Status: *Application pending*

COMPLETING THE CIRCLE BETWEEN TEACHERS AND PARENTS (Catalog)
(App. #76/205361)
February 7, 2001 Application Filing Date
Status: *Application pending*

MOO-NAY (App. #76/205362)
February 7, 2001 Application Filing Date
Status: *Application pending*

SK Registered Trademarks / Service Marks:

U.S. Trademark Reg. No. 2,280,853
Mark SMART KIDS'
Registered September 28, 1999

SK Trademark / Service Mark Applications:

U.S. trademark application, Serial No. 75/400, 480
Mark SMARTERKIDS
Filed December 5, 1997

U.S. trademark application, Serial No. 75/401, 039

A-2

SCHEDULE A (cont'd)

Mark SMARTERKIDS
Filed December 5, 1997

U.S. trademark application, Serial No. 75/401, 216
Mark SMARTERKIDS.COM
Filed December 5, 1997

U.S. trademark application, Serial No. 75/525,063
Mark SMARTERKIDS.COM
Filed July 24, 1998

Virtual Knowledge, Inc., a former name of SK, is the registered owner of the following trademarks:

U.S. Trademark Reg. No. 2,193,010
Mark VIRTUAL ENTERTAINMENT and Design
Registered October 6, 1998

U.S. Trademark Reg. No. 2,148,273
Mark VIRTUAL KNOWLEDGE
Registered March 31, 1998

EPI owns the following registered trademarks and applications:

EPI Pencil Logo
USPTO registration # 2,426,073
Issued February 6, 2001

EPI & Compass and Glue Design
USPTO registration # 2,420,472
Issued January 16, 2001

Econoboard
USPTO registration # 2,424,420
Issued January 30, 2001

EPI
USPTO registration # 2,426,072

A-3

SCHEDULE A (cont'd)

Issued February 6, 2001

Proboard

USPTO registration # 2,328,357

Issued March 14, 2000

EPI has filed the following trademark applications:

School Wrap Pac

Application # 75/551,627

Status: *Application Pending*

A-4

B:\J4B\700219.03(F0@J03).DOC

LA_DOCS\673373.1 [W97]

RECORDED: 05/15/2001

TRADEMARK
REEL: 002299 FRAME: 0876