

12-12-2002



Form PTO-1594 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005) Tab settings

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U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies): Encyclopaedia Britannica, Inc.

- Individual(s), Association, General Partnership, Limited Partnership, Corporation-State, Other

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

12-9-02

2. Name and address of receiving party(ies)

Name: Sovereign Bank

Internal Address:

Street Address: 1350 Main Street

City: Springfield State: IL

Individual(s) citizenship

Association

General Partnership

Limited Partnership

Corporation-State

Other Federal Savings Bank

If assignee is not domiciled in the United States, a domestic representative designation is attached Yes No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:

- Assignment, Merger, Security Agreement, Change of Name, Other

Execution Date: November 13, 2002

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

2,150,880

2,267,211

Additional number(s) attached Yes No

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

Name: Eric A. Reeves

Internal Address: Jones, Day, Reavis & Pogue

Street Address: 77 West Wacker

City: Chicago State: IL Zip: 60601

6. Total number of applications and registrations involved: 02

7. Total fee (37 CFR 3.41) \$ 65.00

- Enclosed, Authorized to be charged to deposit account

8. Deposit account number: (Attach duplicate copy of this page if paying by deposit account)

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9. 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.

Eric A. Reeves Name of Person Signing

Signature

11/22/02 Date

Total number of pages including cover sheet, attachments, and document: 37

Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231

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LOAN AND SECURITY AGREEMENT

AGREEMENT made as of this 22 day of November, 2002, by and between Encyclopaedia Britannica, Inc., a Delaware corporation, having a chief executive principal place of business at 310 South Michigan Avenue, Chicago, Illinois ("Britannica"), Merriam-Webster Incorporated, a Delaware corporation with a usual place of business at 47 Federal Street, Springfield, Massachusetts ("Webster"). Britannica and Webster shall collectively be referred to as the "Borrower", and Sovereign Bank, a federal savings bank organized under the laws of the United States of America, having a usual place of business at 1350 Main Street, Springfield, Massachusetts (hereinafter referred to as the "Lender").

1.00 DEFINITIONS AND ACCOUNTING TERMS

As used in this Agreement, the following terms have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

"Advance" means an Advance by Lender to Borrower in accordance with the terms and conditions of the Note, this Agreement, or any other Loan Documents.

"Affiliate" means any person controlling, controlled by, or under common control with Borrower. For purposes of this definition "Control" means the possession, directly or indirectly of the power to direct or cause direction of the management and policies of the Borrower, whether through ownership of common or preferred stock or other equity interests, by contract or otherwise. Without limiting the generality of the forgoing, each of the following shall be an Affiliate: any shareholder or subsidiary of Borrower and any other Person with whom for which Borrower has common shareholders, officers and directors.

"Agreement" means this Loan and Security Agreement as amended, supplemented, or modified from time to time.

"Business Day" means any day other than a Saturday, Sunday, or other day on which commercial banks in Massachusetts are authorized or required to close under the laws of the Commonwealth of Massachusetts.

"Citibank Letter of Credit" means that certain Letter of Credit issued to Britannica from Distributor assigned to Lender, a copy of which is annexed hereto as Exhibit "A".

"Citibank Letter of Credit Assignment". See Exhibit "B".

"Collateral" means any and all personal property or chose in action of Britannica in which the Lender, by this Agreement acquires or hereafter acquires a security interest, as more fully described in Section 4.00 of this Agreement.

"Debt" means, as applied to any Person, as of any date of determination (without duplication):

- (a) all obligations of such Person for borrowed money (whether or not represented by bonds, debentures, notes, drafts or other similar instruments) or evidenced by bonds, debentures, notes, drafts or similar instruments;
- (b) all obligations of such Person for all, or any part of, the deferred purchase price of property or services, or for the cost of property constructed or of improvements thereon, including trade accounts payable incurred, in respect of property purchased, in the ordinary course of business;

- (c) all obligations secured by any Lien on or payable out of the proceeds of production from property owned or held by such Person even though such Person has not assumed or become liable for the payment of such obligation; provided that the obligations described by this clause (c) does not include obligations under leases to the extent that the Lien only attaches to the item leased;
- (d) all capital lease obligations of such Person;
- (e) all obligations of such Person, contingent or otherwise, in respect of any letter of credit facilities, bankers' acceptance facilities or other similar credit facilities other than any such obligation which relate to an underlying obligation which otherwise constitutes Debt of such Person hereunder or a current account payable of such Person incurred in the ordinary course of business;
- (f) all obligations of such Person upon which interest payments are customarily made; and
- (g) all guaranties by such Person of or with respect to obligations of the character referred to in the foregoing clauses (a) through (f) of another Person;

provided, however, that in determining the Debt of any Person, (i) all liabilities for which such Person is jointly and severally liable with one or more other Persons (including, without limitation, all liabilities of any partnership or joint venture of which such Person is a general partner or co-venturer) shall be included at the full amount thereof without regard to any right such Person may have against any such other Persons for contribution or indemnity, and (ii) no effect shall be given to deposits, trust arrangements or similar arrangements which, in accordance with GAAP, extinguish Debt for which such Person remains legally liable.

"Default" means any of the events specified in Section 11.00, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Distributor" shall mean, Holt, Rinehart and Winston, a division of Harcourt, Inc.

"Distribution Agreement" shall mean that certain agreement dated July 2, 2002, between Distributor and Britannica, as amended by First Amendment to Manufacturing and Distribution Agreement dated October 10, 2002, a copies of which are collectively annexed hereto as Exhibit "C".

"Distributor Default" means an event of default by the Distributor under the Distributor Agreement, including, without limitation, the failure of the Distributor to make any Royalty payment required under the Distribution Agreement as and when due.

"Environmental Law" means any past, present or future Federal, state, local or foreign statutory or common law, or any regulation, ordinance, code, plan, Order, permit, grant, franchise, concession, restriction or agreement issued, entered, promulgated or approved thereunder, relating to (a) the environment, human health or safety, including, without limitation, emissions, discharges, releases or threatened releases of oil and/or Hazardous Substances into the environment (including, without limitation, air, surface water, groundwater or land), or (b) the manufacture, generation, refining, processing, distribution, use, sale, treatment, receipt, storage, disposal, transport, arranging for transport, or handling of Hazardous Substances.

"Environmental Permits" means collectively, any and all permits, consents, licenses, approvals and registrations of any nature at any time required pursuant to or in order to comply with any Environmental Law.

"ERISA" means the Employment Retirement Income Security Act of 1974, as amended from time-to-time, and the regulations and published interpretations thereof.

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"Event of Default" means any of the events specified in Section 11.00, provided that any requirement (if any) for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"GAAP" means generally accepted accounting principles consistently applied, in accordance with financial reporting standards from time-to-time in effect among nationally recognized certified public accounting firms in the United States.

"Hazardous Substances" means collectively, contaminants; pollutants; toxic or hazardous chemicals, substances, materials, wastes and constituents; petroleum products; polychlorinated biphenyls; medical wastes; infectious wastes; oil; asbestos; paint containing lead; and urea formaldehyde.

"Insolvency" of the Borrower means that there shall have occurred with respect to the Borrower, one or more of the following events: dissolution, termination of existence, appointment of a custodian, interim trustee, or trustee, of any part of the property of the Borrower, assignment or trust mortgage for the benefit of creditors by, or the voluntary or involuntary filing of a petition in bankruptcy or the commencement of any proceedings under any bankruptcy or insolvency laws, or any laws relating to the relief of debts, readjustment of indebtedness, reorganization, composition or extension, by or against Borrower; provided that, notwithstanding the foregoing, it shall not be an Insolvency of the Borrower if any such case or proceeding described above is not commenced by the Borrower or consented to or acquiesced in by the Borrower unless such case or proceeding remains for 60 days undismissed.

"Inventory" means all of Britannica's now owned and hereafter acquired goods, merchandise and other personal property, wherever located, to be furnished under any contract of service, or held for sale or lease, all raw materials, work-in-process, finished goods and materials and supplies of any kind, nature or description which are or might be used or consumed in Britannica's business or used in connection with the manufacture, packing, shipping, advertising, selling or finishing of such goods, merchandise and other personal property, and all documents of title or other documents representing them. Inventory shall not include any goods, merchandise or other personal property which may be in the possession of Britannica which is not owned by Britannica.

"Lender" as used in this Agreement shall include the stated Lender herein and, except as the context may indicate a contrary intent, any successor in interest of the Lender.

"LIBOR" shall mean, as applicable to any LIBOR Loan and LIBOR period applicable thereto, (i) a rate per annum (rounded upward, if necessary to the nearest 1/32 of one percent) equal to the composite London Interbank Offered Rate which appears on the Telerate page 3750 as of 11:00 am. London time on the day that is two (2) London Banking Day's preceding the first day of such LIBOR Period (or if not reported thereon, then as determined by Bank from another recognized source or Interbank quotation) divided by (ii) a fraction (A) the numerator of which is one and (B) the denominator is the average of the daily rates (expressed as a decimal) of maximum reserve requirements which are, at any time rates (expressed as a decimal) of maximum reserve requirements which are, at any time, applicable during such LIBOR Period (including, without limitation, basic, supplemental special, marginal and emergency reserves) under any regulation of the Board of Governors of the Federal Reserve System or other banking authority, domestic or foreign, as now or hereafter in effect, prescribed for eurocurrency funding (currently referred to as Eurocurrency Liabilities in Regulation D of such Board) to which the Bank (including any branch, affiliate, or other fronting office, making or holding a loan that accrues interest at a rate which refers to LIBOR) is subject, as now or hereafter in effect. Notwithstanding the forgoing, provided that no prepayment occurs, the Lender agrees to honor the rate established on the first day of each LIBOR period selected by the Borrower for the entire LIBOR period selected.

"LIBOR Period" shall mean, with respect to any LIBOR Loan, the period commencing on the date on which the LIBOR Loan begins to bear interest at a rate tied to LIBOR in accordance herewith and ending thirty (30) days thereafter; provided however, (i) any LIBOR Period that would otherwise end on a day which is not a Banking Day shall be extended to the next Banking Day, unless such extension would carry such LIBOR Period into the next month, in

which event such LIBOR Period shall end on the preceding Banking Day, (ii) any LIBOR Period that begins on the last Banking Day of a calendar month (or on a date for which there is no numerically corresponding day in the calendar month in which such LIBOR Period ends) shall end on the last Banking Day of a calendar month, (iii) no LIBOR Period shall extend beyond the Maturity Date, and (iv) no LIBOR Period shall be selected which is greater than the number of days remaining in the term of the Loan.

"LIBOR Loan" means any portion of the outstanding principal balance of the Loan when and to the extent that the interest rate therefor is determined by reference to LIBOR.

"Lien" means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority, or other security agreement or preferential arrangement, charge, or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing).

"Loan" has the meaning assigned to such term in Section 2.01.

"Loan Documents" means this Agreement, the Note, the Lock Box Agreement and the other documents executed by the Borrower pursuant to this Agreement.

"Lock Box Account" has the meaning assigned to such term in Section 3.05.

"Lock Box Agreement" means the Agreement with the Lender, a copy of which is annexed hereto as Exhibit "D".

"London Banking Day" shall mean any banking day on which commercial banks are open for international business (including dealing in U.S. dollar (\$) deposits) in London, England and Philadelphia, Pennsylvania.

"Material Adverse Effect" means (i) a material adverse effect upon the business, operations, property or condition (financial or otherwise) of Britannica or (ii) a material impairment of the ability of Britannica to perform its respective obligations under this Agreement or any other Loan Document to which it is a party or of Lender to enforce any of its rights or remedies under this Agreement or the other Loan Document.

"Maturity Date" means October 1, 2005.

"Maximum Amount" means Four Million Four Hundred Thousand and 00/100 Dollars (\$4,400,000.00).

"Multiemployer Plan" means a Plan described in Section 4001(a)(3) of ERISA.

"Note" has the meaning assigned to such term in Section 2.03.

"Obligation" and "Obligations" shall mean any and all liabilities and obligations of the Borrower to the Lender under the Loan Documents of every kind and description, direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, and includes (i) the Note, (ii) any letter or letters of credit (including letter of credit notes), (iii) obligations to perform acts and refrain from taking action, as well as obligations to pay money, (iv) reimbursement obligations of the Borrower, pursuant to any documentation executed in conjunction with or related to the issuance by the Lender of any letters of credit, and/or (v) guaranty obligations.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Liens" means the following:

(i) Liens for current taxes not delinquent or taxes which Borrower is contesting in good faith and by appropriate proceedings and with respect to which Borrower has provided for and is maintaining adequate reserves in accordance with GAAP;

(ii) Liens which arise in the ordinary course of business for sums not due or sums that Borrower is contesting in good faith and by appropriate proceedings and with respect to which Borrower has provided for and is maintaining adequate reserves in accordance with GAAP, but which do not involve borrowed money or the deferred purchase price of property or services;

(iii) Liens securing the Obligations and any other Liens in favor of the Lender;

(iv) Liens upon property granted in connection with the lease of such property by Borrower after the date hereof, provided that (A) each such lease constitutes a capital lease obligation, (B) each such Lien attaches only to the property leased by means of the Debt secured thereby, and (C) the principal amount of the Debt secured by any such Lien shall not exceed the capital lease obligation;

(v) carriers', mechanics', materialmen's, repairmen's liens arising in the ordinary course of business (or deposits to obtain the release of any such Lien);

(vi) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(vii) deposits to secure insurance in the ordinary course of business, the performance of bids, tenders, contracts (other than contracts for the payment of money), leases, licenses, franchises, statutory obligations, surety and appeal bonds, performance bonds, and other obligations of a like nature incurred in the ordinary course of business.

(viii) Liens arising pursuant to any order of attachment, distraint or similar legal process arising in connection with any court proceeding being contested in good faith by appropriate proceedings where the claim is covered in full (subject to customary deductibles) by insurance or other bond;

(ix) inchoate Liens arising under ERISA to secure contingent liabilities of Borrower;

(x) warehouseman's, landlord's, vendor's and other similar liens arising by operation of law provided they are subordinate to Lender's first security interest excepting only liens to manufacturing and warehousemen which are subject to a written agreement between Lender and a manufacturer or warehousemen; and

(xi) Liens arising from the extension, renewal or replacement of any Debt secured by any Liens described above so long as the principal amount of the Debt secured thereby is not increased and the Liens securing such Debt are limited only to similar assets previously subject to such Liens.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, or other entity of whatever nature.

"Prime Rate" means that rate of interest established and announced as such from time-to-time by the Lender.

"Principal Office" means the Lender's office at 1350 Main Street, Springfield, Massachusetts.

"Prohibited Transaction" means any transaction set forth in Section 406 of ERISA or Section 4975 of the Code.

"Receivables" means all of Britannica's now owned and hereafter acquired accounts (whether or not earned by performance), proceeds of any letters of credit naming Britannica as beneficiary, contract rights, chattel paper, instruments, documents and all other forms of obligations at any time owing to Britannica, all guaranties and other security therefore, whether secured or unsecured, all merchandise returned to or repossessed by Britannica and all rights of stoppage in transit and all other rights or remedies of an unpaid vendor, lienor or secured party.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as amended or supplemented from time-to-time.

"Reportable Event" means any of the events set forth in Section 4043 of ERISA.

"Royalties" means the payments due to the Britannica under the Distribution Agreement from Distributor.

"Text". See Section 4.00.

1.01 ACCOUNTING TERMS; OTHER TERMS

All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistent with those applied in the preparation of the financial statements and all other financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles. Except as otherwise indicated, all terms not specifically defined in this Agreement that are defined, or used, in Article 9 of the Uniform Commercial Code in effect in the Commonwealth of Massachusetts (as used herein, the "UCC") have the respective meanings assigned to such terms in Article 9 of the UCC.

2.00 THE TERM LOAN FACILITY

2.01 THE TERM LOAN

A term loan in the original principal amount of Four Million Four Hundred Thousand and 00/100 Dollars (\$4,400,000.00), (the "Loan") will be made available to the Borrower on the date hereof. The Loan shall be repaid as described in the Note.

2.02 CALCULATION AND PAYMENT OF INTEREST

Interest on a Prime Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed for any payment period. Interest on a LIBOR Loan shall be calculated on the basis of a 360-day year for the actual number of days elapsed for any LIBOR Period. Interest on the Loan shall be paid in immediately available funds at either the Principal Office of the Lender or any branch thereof. Interest on a Prime Loan and LIBOR Loan shall be payable on the one (1) month anniversary date from the date that the Prime Loan or LIBOR Loan is made and thereafter on the same day of each succeeding month. Interest shall be calculated daily and payable monthly, in arrears on the unpaid principal sum during the preceding month.

2.03 THE TERM LOAN PROMISSORY NOTE

The Loan made by the Lender under this Agreement shall be evidenced by, and repaid with interest in accordance with a term promissory note (the "Note") substantially in the form of Exhibit "E".

2.04 USE OF PROCEEDS

The proceeds of the Note shall be used to fund the Cash Collateral Account and for working capital and other general corporate purposes. The Borrower will not, directly or indirectly, use any part of such proceeds for the purpose

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of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to any Person for the purpose of purchasing or carrying any such margin stock, or for any purpose which violates, or is inconsistent with, Regulation X of such Board of Governors.

2.05 FUNDING LOSS INDEMNIFICATION

The Borrower shall pay to the Lender, upon the request of the Lender, such amount or amounts as shall be sufficient (in the reasonable opinion of the Lender) to compensate it for any loss, cost, or expense (including the then present value of any lost interest earnings as a result of any re-deployment of prepaid funds) incurred as a result of any payment of a LIBOR Loan on a date other than a scheduled principal payment day or the last day of the LIBOR Period for such Loan including, but not limited to, acceleration of the Loan by the Lender pursuant to Section 12.00. If the Lender makes such a claim for compensation, it will provide the Borrower with a certificate executed by an officer of the Lender setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for the computation of such loss, cost or expense) and such certificate will be conclusive absent manifest error.

Notwithstanding the foregoing, any prepayment of any portion of the Obligation subject to the SWAP Agreement shall also be subject to all prepayment provision contained in the SWAP Agreement.

2.06 CASH COLLATERAL RESERVE

At the closing, Four Hundred Thousand and 00/100 Dollars (\$400,000.00) of the Maximum Amount (the "Cash Collateral Reserve") shall be Advanced into a Cash Collateral Reserve Account. The Cash Collateral Reserve may be used by Lender, in its sole discretion, to pay any Obligations due from Borrower to Lender and/or to pay any obligations of Britannica pursuant to the Distribution Agreement, and Borrower agrees to replenish any such debit of the Cash Collateral Reserve within two (2) Business Days of such debit.

2.07 FUNDS DEPOSITED WITH LENDER

All funds of Borrower which are deposited with Lender pursuant to this Agreement or any other Loan Documents shall be held in an interest bearing account and may be co-mingled with Lender's general funds. Any interest which accrues on said funds shall, at Borrower's sole option, be paid to Borrower or be held as part of the applicable funds being held by Lender for the same purpose for which the principal sum of said funds are being held by the Lender. To secure all of Borrower's Obligations to Lender under the Loan Documents, Borrower hereby grants to Lender a security interest in all funds now or hereafter deposited with the Lender or otherwise in Lender's possession, custody or control pursuant to the provisions of this Agreement. So long as any Event of Default exists, Lender shall have such rights with respect to such funds and any interest accrued thereon as are provided by applicable law and may apply such funds toward the satisfaction of Borrower's Obligations hereunder or under any other Loan Documents. Without limiting any of the foregoing provisions, at the request of Lender, Borrower shall execute and deliver from time-to-time such documents as may be necessary or appropriate, in Lender's sole discretion to assure Lender that it has a first priority perfected security interest in and lien on, all funds deposited pursuant to this Agreement, including the creation of a deposit account in the name of Borrower in a banking institution approved by Lender either within or outside the Commonwealth of Massachusetts, as directed by Lender, into which any or all of such funds will be deposited and maintained, subject to the rights of Lender with respect to such funds as provided therein.

2.08 SWAP AGREEMENT

Borrower may enter into a SWAP Agreement or other similar agreement or arrangement with Lender or its affiliates with respect to the Loan being made hereunder (any such agreement or arrangement shall be in form and substance satisfactory to Lender) in order to hedge or minimize risk with respect to the fluctuation of interest rates if LIBOR is elected. The SWAP Agreement shall be for a term, which does not expire prior to the Maturity Date and shall, at all times, be in a notational amount as elected by Borrower of the principal amounts outstanding from time-to-time under the Loan. If the SWAP Agreement (or any agreement or arrangement in replacement thereof) shall expire prior to the Maturity Date and leave any principal of the Loan evidenced by the Note uncovered thereby, or if for any

other reason any principal portion of the Loan evidenced by the Note shall be uncovered by the SWAP Agreement, such uncovered amount shall be immediately due and payable.

2.09 CONVERSION

The Borrower may elect from time-to-time to convert the interest rate on the Loan into another type of interest rate, by giving the Lender notice at least two (2) Business Days before the conversion into a LIBOR Loan or Prime Loan; specifying in each case (1) the conversion date; (2) the amount of the Loan to be converted; and (3) a specification that the Loan is to be converted from a LIBOR Loan and/or Prime Loan or vice versa, as the case may be; provided that:

- (a) the minimum principal amount of each Loan outstanding after a conversion shall be Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) or One Hundred Thousand and 00/100 Dollars (\$100,000.00) multiples there above in the case of LIBOR Loans and Prime Loans; and
- (b) LIBOR Loans and Prime Loans can be converted only as of the last day of the Interest Period for such Loan. All notices given under this Section 2.09 shall be irrevocable and shall be given not later than 2:00 p.m. (EST) on the day which is not less than the number of Business Days specified above for such notice.

If the Borrower shall fail to give the Lender the notice as specified above for the conversion of a LIBOR Loan or Prime Loan prior to the end of the interest period with respect thereto, such LIBOR Loan shall be converted to a Prime Loan.

2.10 DEFAULT RATE OF INTEREST

Following an uncured Event of Default, the rate of interest being accrued hereunder shall be increased by four percent (4.00%) per annum.

3.00 GENERALLY

As to all Obligations due from Borrower to Lender made pursuant to this Agreement or otherwise:

3.01 [INTENTIONALLY DELETED]

3.02 METHOD OF PAYMENT

All payments and prepayments of principal and all payments of interest, fees and other amounts payable hereunder shall be made by the Borrower to the Lender at its Principal Office OR SUCH OTHER PLACE AS THE LENDER MAY FROM TIME-TO-TIME SPECIFY IN WRITING in immediately available LAWFUL CURRENCY OF THE UNITED STATES OF AMERICA, on or before 11:00 a.m. (Boston, Massachusetts time) on the due date thereof, WITHOUT COUNTERCLAIM OR SETOFF AND FREE AND CLEAR OF, AND WITHOUT ANY DEDUCTION OR WITHHOLDING FOR, ANY TAXES OR OTHER PAYMENTS. The Borrower hereby authorizes the Lender, if and to the extent payment is not made when due under this Agreement or under the Note, to charge from time-to-time against any account of the Borrower with the Lender any amount so due. Whenever any payment to be made under this Agreement or under the Note shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of the payment of interest except, in the case of a LIBOR Loan, if the result of such extension would be to extend such payment into another calendar month, such payment shall be made on the immediately preceding Business Day.

3.03 [INTENTIONALLY DELETED]

3.04 LATE PAYMENT

Any payment on the Loans received more than fifteen (15) days after its due date shall be subject to an additional charge of four percent (4.00%) of the amount due.

3.05 ESTABLISHMENT OF A LOCK BOX ACCOUNT

Britannica agrees, and shall notify Distributor, that Royalties shall be deposited into a lock box account, or such other "Blocked Account" as Lender may require (the "Lock Box Account") with Lender. All funds deposited in the Lock Box Account shall immediately become the sole property of Lender, subject to the provisions of this Section 3.05. The Distributor shall agree to pay all Royalties to the Lock Box Account. The Lender shall debit the Lock Box Account and apply monies therein as follows: (i) payment of Loan principal, according to the Minimum Principal Payment described in the Note, provided, however, to the extent that Royalty payments are in excess of the Minimum Principal Payment, such excess shall be applied to the unpaid principal of the Note until such time as the Minimum Aggregate Principal (defined in the Note) for the period then in effect has been paid in full to Lender, (ii) payment of interest due under the Note, (iii) replenishment of Cash Collateral Reserve to the extent that it is not fully funded in the amount of Four Hundred Thousand and 00/100 Dollars (\$400,000.00). In the event that (i), (ii), and (iii), have been fully received by the Lender, and no Event of Default has occurred hereunder which has not been cured, any excess monies in the Lock Box Account shall be credited to the Britannica's DDA account maintained with Lender within three (3) business days of such resulting excess.

3.06 ADDITIONAL PAYMENTS

If after the date of this Agreement the Lender determines that (i) the adoption of or change in any law, rule, regulation or guideline regarding capital requirements for banks or bank holding companies, or any change in the interpretation or application thereof by any governmental authority charged with the administration thereof, or (ii) compliance by the Lender or any parent bank holding company with any guideline, request or directive of any such entity regarding capital adequacy (whether or not having the force of law), has the effect of reducing the return on the Lender's or such holding company's capital as a consequence of the Lender's agreement to make the Loan hereunder to a level below that which the Lender or such holding company could have achieved but for such adoption, change or compliance (taking into consideration the Lender's or such holding company's then existing policies with respect to capital adequacy and assuming the full utilization of such entity's capital) by any amount deemed by the Lender to be material, or (iii) as a result from any change after the date of this Agreement in United States, Federal, State, Municipal or Foreign Laws or Regulations (including Regulation D), or the adoption or making after the date of any interpretations, directives or requirements applying to a class of banks, including the Lender or under any United States, Federal, State, Municipal or Foreign Laws or Regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof which changes the basis of taxation of any amounts payable to the Lender under this Agreement, including, without limitation, the Loan (other than taxes imposed on the overall net income of the bank for any of such loans by the jurisdiction where the principal office of the Lender is located), then the Lender shall notify the Borrower thereof. The Borrower agrees to pay to the Lender the amount of such reduction in the return on capital as and when such reduction is determined, upon presentation by the Lender of a statement in the amount and setting forth the Lender's calculation thereof, which statement shall be deemed true and correct absent manifest error; provided that (i) such amounts are being charged by the Lender to other borrowers having similar credit facilities as the facility provided under this Agreement and (ii) the Borrower shall not be obligated to pay any such amount unless the Lender so notifies the Borrower of any such increased cost or reduction within 180 days after the effectiveness of any adoption or change giving rise to such increased cost or reduction. In determining such amount, the Lender may use reasonable averaging and attribution methods.

3.07 TENURE OF THE LOAN AND SECURITY AGREEMENT

This Agreement shall become effective upon the execution by the parties hereto. When so executed, this Agreement shall be binding on, and inure to, the benefit of the respective successors and permitted assigns of the

Borrower (if authorized by the Lender, in writing, in the Lender's sole and exclusive discretion), and of the Lender, and shall continue in full force and effect and unchanged except by agreement in writing between the Borrower and the Lender until terminated as hereinafter provided.

3.08 CONDITIONS PRECEDENT

The obligation of the Lender to make the Loan shall be subject to the condition precedent that the Lender shall have received on or before the day of such transaction each of the following, in form and substance satisfactory to the Lender and its counsel in their sole discretion:

3.08.1 EXECUTION OF NOTE

The Note duly executed by the Borrower.

3.08.2 EVIDENCE OF BORROWER'S AUTHORITY AND INCUMBENCY OF REPRESENTATIVES.

Certified (as of the date of this Agreement) copies of all corporate action taken by the Borrower, including resolutions of their Board of Directors, authorizing the execution, delivery, and performance of the Loan Documents to which it is a party and each other document to be delivered pursuant to this Agreement together with a certificate (dated as of the date of this Agreement) of the Secretary or Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign the Loan Documents to which they are a party and the other documents to be delivered by the Borrower under this Agreement.

3.08.3 OPINION

A favorable opinion of counsel for the Borrower, dated the date of this Agreement, in such form as is acceptable to the Lender and as to such other matters as the Lender may reasonably request.

3.08.4 OFFICER'S CERTIFICATE, ETC.

The following statements shall be true and the Lender shall have received a certificate signed by a duly authorized officer of the Borrower dated the date of this Agreement stating that:

a) the representations and warranties contained in Section 5.00 of this Agreement are correct on and as of the date of this Agreement as though made on and as of such date; and

b) no Default or Event of Default has occurred and is continuing, or would result from the execution and delivery of this Agreement.

3.08.5 CLOSING FEE

Borrower shall pay Lender a fee equal to Sixty Six Thousand and 00/100 Dollars (\$66,000.00), Fifteen Thousand 00/100 Dollars (\$15,000.00) of which has already been paid by Borrower.

3.08.6 ASSIGNMENT OF LETTER OF CREDIT

Lender shall have received the original Citibank Letter of Credit and executed the Citibank Assignment of Letter of Credit from Citibank, N.A, which allows the Lender to draw upon the Citibank Letter of Credit in accordance with the terms of the Letter of Credit.

3.08.7 CERTIFICATE OF FINANCIAL CONDITION

Lender shall have received an executed certificate of financial condition in the form of Exhibit "F".

3.08.8 ACKNOWLEDGEMENT OF ASSIGNMENT OF DISTRIBUTION AGREEMENT

Lender shall have received an acknowledgement and agreement of the Distributor to pay all Royalties into the Lock Box Account without any rights of set off, recoupment, or of any other claim against the Royalties, a copy of which is annexed hereto as Exhibit "G".

3.08.09 HAZARD INSURANCE

The insurance policies described on Exhibit "H" or evidence of insurance evidencing same.

3.08.10 UCC AND TAX LIEN SEARCHES

Uniform Commercial Code and tax lien searches made in the States of Illinois and Delaware only, showing no filings relative to any Collateral other than Permitted Liens, and no federal or state tax liens against Borrower.

3.08.11 CORPORATE DOCUMENTATION

Certified copies of the Borrower's Certificate of Incorporation, By-Laws, Certificates of Good Standing from the Delaware Secretary of State's Office and Department of Revenue Office and original corporate resolutions, Certificates of Incumbency with specimen signatures.

3.08.12 OTHER ITEMS

Such other approvals, opinions, certificates, documents and/or instruments as Lender may reasonably require.

3.09 POWER OF ATTORNEY

Borrower appoints Lender and its designees as Borrower's attorney, with the power, after the occurrence of an Event of Default, except as to Citibank, N.A., and the Letter of Credit which can be drawn upon at any time upon a Distributor Default and notwithstanding the lack of an Event of Default hereunder, to endorse Borrower's name on any checks, notes, acceptances, money orders or other forms of payment or security that come into Lender's possession with respect to the Collateral; to sign Borrower's name on any invoice or bill of lading relating to any Collateral, on drafts against customers, on assignments of Collateral, on notices of assignment, financing statements and other public records, and on verifications of accounts sent to account debtors; to send requests for verification of Receivables to customers or account debtors; to sign Borrower's name on notices to customers or account debtors, to notify account debtors that the Receivables have been assigned to Lender and of Lender's security interest therein, and to notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by Lender and to open and dispose of all mail addressed to Borrower (solely to the extent the Lender reasonably believes such mail contains Collateral or the proceeds thereof); and to do all other things Lender deems necessary and desirable to carry out the terms of this Agreement. Borrower hereby ratifies and approves all acts of such attorney. Neither Lender nor any of its designees will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law acting as Borrower's attorney, unless arising from the gross negligence or willful misconduct of the Lender or its designees. This power, being coupled with an interest, is irrevocable until the Obligations have been fully satisfied.

3.10 FEDERAL RESERVE BANK

Notwithstanding anything to the contrary contained herein, Lender may at any time pledge or assign all or any portion of Lender's rights under this Agreement and the other Loan Documents to a Federal Reserve bank; provided, however, that no such pledge or assignment shall release the Lender from Lender's obligations hereunder or any other Loan Documents.

3.11 ILLEGALITY

Notwithstanding any other provision in this Agreement, if the Lender determines that any applicable law, rule, or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by the Lender (or its lending office) with any request or directive (whether or not having the force of law) of any such authority, central bank, or comparable agency, shall make it unlawful or impossible for the Lender (or its lending office) to maintain its commitment, then upon notice to the Borrower by Lender, the rate of interest being charged to Borrower shall convert and float at the Prime Rate.

3.12 DISASTER

Notwithstanding anything to the contrary contained herein, if the Lender determines (which determination shall be conclusive) that:

(1) Quotations of interest rates for the relevant deposits referred to in the definition of LIBOR as the case may be, are not being provided in the relevant amounts or for the relative maturities for purposes of determining the rate of interest on a LIBOR Loan as provided in this Agreement; or

(2) the relevant rates of interest referred to in the definition of LIBOR, upon the basis of which the rate of interest for any such type of loan is to be determined do not accurately cover the cost to the Lender of making or maintaining such type of loan; then the Lender shall forthwith give notice thereof to the Borrower, whereupon the rate of interest being charged to Borrower shall convert and float at the Prime Rate.

4.00 GRANT OF SECURITY INTEREST

As collateral security for the performance and payment of all Obligations, Britannica grants, conveys, mortgages, hypothecates, pledges, sets over, transfers and assigns to the Lender, a continuing lien upon and security interest in, all of Britannica's right, title and interest in, to and under the following property, wherever located, whether now or hereafter existing, owned, licensed, leased (to the extent of Britannica's leasehold interest therein), consigned (to the extent of Britannica's ownership interest therein), arising or acquired:

A. Letter of Credit rights, supporting obligations, including, without limitation, the Citibank Letter of Credit;

B. Intellectual property related to Mathematics in Context: A Connected Curriculum for Grade 5-8, including, without limitation, copyright, trademark, service marks, patent, trade secrets, tradenames and computer programs, more fully described in Exhibit I;

C. Inventory;

D. Accounts, including without limitation, Accounts Receivable;

together with all books, records, writings, data bases, information and other property relating to, used or useful in connection with, evidencing, embodying, incorporating or referring to, any of the foregoing, and all proceeds, products, contract rights, including without limitation the Distributor Agreement and all Royalties thereunder, payment intangibles and amounts owed by other Persons other than customers, cash, deposit accounts, rents, issues, profits and

returns of and from any of the foregoing accessions and additions thereto and all replacements and substitutions therefore, and in all proceeds of fire, credit casualty or other insurance.

4.01 The security interest granted hereby is to secure payment and performance of all Obligations from Borrower to Lender, together with all interest, fees, charges and expenses including expenses of the Lender's counsel in the maintaining, foreclosing and selling of any of the Collateral.

4.02 IT IS THE TRUE, CLEAR, AND EXPRESS INTENTION OF THE Borrower that the continuing grant of this security interest remain as security for payment and performance of all Obligations, whether now existing, or which may hereinafter be incurred by future advances, or otherwise related to the transaction described in this Agreement, by class, or kind, or whether or not contemplated by the parties at the time of the granting of this security interest. The notice of the continuing grant of this security interest therefore shall not be required to be stated on the face of any document representing any such obligation, nor otherwise identified it as being secured hereby.

5.00 REPRESENTATIONS AND WARRANTIES, GENERALLY

Borrower, Britannica and/or Webster, as the case may be, represent, warrant and agree that, as of the date hereof:

5.01 CHIEF EXECUTIVE OFFICE

Borrower has no chief executive office, or principal place of business, or principal mailing address, other than that shown above and that Borrower also keeps its records concerning accounts, contract rights and other property, as well as all Collateral, at said location, unless otherwise specified in Exhibit "J" attached to this Agreement. Borrower will promptly notify Lender in writing of any change in the location of any place of business or intention to change the location of any Collateral or the establishment of any new chief executive office, principal place of business, or location of inventory, or office where its aforesaid records are kept.

5.02 GOOD STANDING

Borrower is duly organized and existing in good standing under the laws of the State of Delaware and is duly qualified to do business under the laws of each state where the nature of the business done or property owned requires such qualification, unless failure to so qualify will not have a Material Adverse Effect.

5.03 CORPORATE AUTHORITY

Borrower's delivery and performance hereof are within Borrower's corporate powers, have been duly authorized by all requisite corporate action, and are not in contravention of the terms of, and will not result in any event of default under Borrower's Certificate of Incorporation, by-laws, or other incorporation papers, or of any material indenture, promissory note, agreement or undertaking to which Borrower is a party or by which it is bound or affected. All of Borrower's issued and outstanding capital stock has been properly issued and all Borrower's books and records, in particular its minute books, by-laws, and books of account, are accurate and up-to-date and will be so maintained.

5.04 PERFECTION

Borrower agrees that any failure of perfection or other bar to lawful enforcement of the Loan Documents, liens, pledges of assets of any kind or nature, wholly or in part, shall not constitute an impairment of Collateral by the Lender and the Borrower specifically agrees that any such happening shall not cause, or give rise to, a waiver, or other defense by it, upon its Obligations hereunder or upon all obligations incurred by it upon any guaranty, pledge, endorsement, or

other agreement executed by it in connection with this financial transaction, which shall remain at all times due and owing, in their original tenor.

5.05 BORROWER NOT IN DEFAULT

Except as previously disclosed to the Lender with respect to the Borrower's trade debt, all leases, contracts, and other commitments to which Borrower is a party are in good standing, and Borrower has complied with all material provisions of all material leases, contracts, agreements, instruments and other commitments; Borrower is not in default under any provision thereof; and no event has occurred which, but for the giving of notice or the passage of time, or both, could constitute a default thereunder.

5.06 LEGALLY ENFORCEABLE AGREEMENT

This Agreement is, and each of the other Loan Documents when delivered under this Agreement will be, legal, valid, and binding obligations of the Borrower in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditors' rights generally and general principals of equity.

5.07 FINANCIAL STATEMENTS

The internal financial statements of Britannica, as of September 30, 2001 and June 30, 2002, copies of which have been furnished to the Lender, are complete and correct and fairly present the financial condition of Britannica as at such dates and the results of the operations of Britannica for the periods covered by such statements, all in accordance with GAAP consistently applied (subject to year-end adjustments), and there has been no material adverse change in the condition (financial or otherwise), business, or operations of Britannica since September 30, 2001, nor are there any liabilities of Britannica, fixed or contingent, which are material but are not reflected in such financial statements or in the notes thereto, other than liabilities arising in the ordinary course of business. Set forth in the financial statements referred to in this Agreement, to the extent required by GAAP, is a complete and correct list of all credit agreements, indentures, purchase agreements, Guaranties, Capital Leases, and other Investments, agreements, and arrangements presently in effect providing for or relating to extensions of credit (including agreements and arrangements for the issuance of letters of credit or for acceptance financing) in respect of which Britannica is in any manner directly or contingently obligated; and the maximum principal or face amounts of the credit in question, which are outstanding and which can be outstanding, are correctly stated, and all Liens of any nature given or agreed to be given as security therefor are correctly described or indicated in such financial statements. All written factual information, exhibits or reports furnished by Britannica to the Lender in connection with the negotiation of this Agreement, taken as a whole and in light of the circumstances in which made, contains no untrue statement of a material fact and does not omit to state a material fact necessary to make such information not misleading

5.08 FINANCIAL STATEMENTS

The internal financial statements of Britannica as of September 30, 2001 and the internal financial statements of Britannica dated June 30, 2002, which has been delivered to the Lender are (and all financial statements hereafter delivered pursuant to this Agreement) will be complete and accurate, fairly presenting the financial condition of Britannica as of the date thereof and for the periods covered thereby, all being prepared in accordance with generally accepted accounting principals consistently applied throughout the relevant periods. Britannica has no liability, contingent or otherwise, not disclosed in the aforesaid financial statements or in any notes thereto that could materially adversely affect the financial condition of Britannica. The internal financial statements referred to in the opening sentence of this Section 5.08 (including the material assumptions and adjustments made in their preparation) were reasonable when made and continue to be reasonable. The following representations are true at the date hereof: (i) there has been no material adverse change in the business, assets or condition, financial or otherwise of Britannica since September 30, 2001; (ii) neither the business, condition or operations of Britannica nor any of its respective properties or assets had materially adversely affected as the result of any legislative or regulatory change, any revocation or change in any franchise, license or right to do business, or any other event or occurrence, whether or not insured against since

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September 30, 2002; and (iii) Britannica has not entered into any material transaction other than in the ordinary course of business since September 30, 2002.

5.09 LABOR DISPUTES AND ACTS OF GOD

Neither the business nor the properties of Britannica are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy, or other casualty (whether or not covered by insurance), that would reasonably be likely to have a Material Adverse Effect.

5.10 OTHER AGREEMENTS

The Borrower is not a party to any indenture, loan or credit agreement, or to any lease or other agreement or instrument, or subject to any charter or corporate restriction which could have a Material Adverse Effect.

5.11 LITIGATION

Except as set forth on Schedule 5.11, there is no pending or, to Britannica's knowledge, threatened action or proceeding against or affecting Britannica before any court, governmental agency, or arbitrator, which is reasonably likely to have, in any one case or in the aggregate, a Material Adverse Effect.

5.12 NO JUDGMENTS

Except as set forth in Section 5.11 hereof, Britannica has satisfied all judgments, and Britannica is not in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court, arbitrator, or Federal, state, municipal, or other governmental authority, commission, board, bureau, agency, or instrumentality, domestic or foreign binding on Britannica.

5.13 ERISA

The Borrower is to the best of its knowledge in compliance in all material respects with all applicable provisions of ERISA. Neither a Reportable Event nor a Prohibited Transaction has occurred and is continuing with respect to any Plan; no notice of intent to terminate a Plan has been filed, nor has any Plan been terminated; no circumstances exist which constitute grounds entitling the PBGC to institute proceedings to terminate, or appoint a trustee to administer, a Plan, nor has the PBGC instituted any such proceedings; neither the Borrower nor any Commonly Controlled Entity has completely or partially withdrawn from a Multiemployer Plan; the Borrower and each Commonly Controlled Entity have met their minimum funding requirements under ERISA with respect to all of their Plans and the present value of all vested benefits under each Plan does not exceed the fair market value of all Plan assets allocable to such benefits, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA; and neither the Borrower nor any Commonly Controlled Entity has incurred any liability to the PBGC under ERISA.

5.14 OPERATION OF BUSINESS

The Borrower possesses all licenses, permits (including Environmental Permits), franchises, patents, copyrights, trademarks, and trade names, or rights thereto, to conduct its businesses substantially as now conducted and as presently proposed to be conducted, and the Borrower is not in violation of any valid rights of others with respect to any of the foregoing, that could reasonably be likely to have a Material Adverse Effect

5.15 TAXES

The Borrower has filed all tax returns (Federal, state, and local) required to be filed and have paid all taxes, assessments, and governmental charges and levies thereon to be due, including interest and penalties unless such taxes are being contested in good faith by appropriate action (or otherwise agreed with taxing authorities) with adequate reserves

established on Borrower's financial statements, except in each case where the failure to do so would not result in a Material Adverse Effect.

5.16 DEBT

Exhibit "K" correctly lists all secured and unsecured Debt (exclusive of trade payables) of Britannica outstanding as of the date of this Agreement, and shows, as to each item of Debt listed thereon, the obligor and obligee, the aggregate principal amount outstanding on the date hereof.

5.17 ENVIRONMENT

Britannica has duly complied with, and their businesses, operations, assets, equipment, property, leaseholds, or other facilities are in compliance with, the provisions of all Environmental Laws. Britannica has been issued and will maintain all required Federal, state, and local permits, licenses, certificates, and approvals relating to (1) air emissions; (2) discharges to surface water or groundwater; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, generation, storage, transportation, or disposal of toxic or hazardous substances or wastes (intended hereby and hereafter to include any and all such materials listed in any Federal, state, or local law, code or ordinance, and all rules and regulations promulgated thereunder as hazardous or potentially hazardous); or (6) other environmental, health, or safety matters. Britannica has not received notice of, nor knows of, or suspects, facts which might constitute any violations of any Environmental Laws with respect to its businesses, operations, assets, equipment, property, leaseholds, or other facilities. Except in accordance with a valid governmental permit, license, certificate, or approval, to the best of Britannica's knowledge there has been no emission, spill, release, or discharge into or upon (1) the air; (2) soils, or any improvements located thereon; (3) surface water or groundwater; or (4) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any toxic or hazardous substances or wastes at or from the premises; and accordingly the premises of Britannica is to the best of Britannica's knowledge free of all such toxic or hazardous substances or wastes. There has been no complaint, order, directive, claim, citation, or notice by any governmental authority or any person or entity with respect to (1) air emissions; (2) spills releases or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the premises; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, generation, storage, transportation, or disposal of toxic or hazardous substances or waste; or (6) other environmental, health, or safety matters affecting Britannica or its business, operations, assets, equipment, property, leaseholds, or other facilities. Britannica has no indebtedness, obligation, or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup, or disposal of any solid wastes, hazardous wastes, or other toxic or hazardous substances (including without limitation any such indebtedness, obligation, or liability with respect to any current regulation, law, or statute regarding such storage, treatment, cleanup, or disposal).

5.18 TITLE TO PROPERTY; LEASES

The Borrower has good and valid rights in, and title in fee simple (and marketable title as to the Mortgaged Premises) to its respective properties and good title to the other properties and assets it purports to own, including those reflected in the most recent internal balance sheet provided to the Lender (other than properties and assets disposed of in the ordinary course of business). The Borrower enjoys peaceful and undisturbed possession under all leases of all personal and all real property under which it operates, and all such leases are valid and subsisting and in full force and effect. Exhibit "L" includes a general description of all presently existing long term leases and capital leases under which the Borrower is a lessee.

5.19 INTELLECTUAL PROPERTY

Britannica owns or has a valid right to use all material (defined as producing revenue in excess of \$10,000/year) patents, copyrights, trademarks, licenses, trade names or franchises now being used or necessary to conduct its business, except as disclosed on Exhibit "M", hereto and the conduct of its business as now operated does not conflict with valid patents, copyrights, trademarks, licenses, trade names or franchises of others in any manner that could reasonably be likely to have a Material Adverse Effect.

5.20 [INTENTIONALLY DELETED]

5.21 FOREIGN ASSET CONTROL REGULATIONS

Neither the execution of this Agreement nor the use of the proceeds thereof violates the Trading With the Enemy Act of 1917, as amended, nor any of the Foreign Assets Control Regulations promulgated thereunder or under the International Emergency Economic Powers Act or the U.N. Participation Act of 1945.

5.22 INVESTMENT COMPANY ACT OF 1940

Borrower is not an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

6.00 FURTHER AGREEMENTS OF BORROWER

6.01 INSURANCE

Borrower agrees at all times to keep all of its property, insured by financially sound and reputable insurers reasonably satisfactory to the Lender, against loss or damage by fire, water, theft, explosion or other hazards insured against by extended coverage. With respect to the Collateral that can be commercially insured, Lender shall be listed as additional insured and loss payee and after an Event of Default unless it is cured or waived in writing by the Lender, hereby irrevocably appointing Lender as attorney for Borrower in obtaining, adjusting, settling and canceling such insurance and endorsing any payments or other drafts, with respect to the Collateral only. All insurance policies with respect to the Collateral shall be non-cancelable with not less than twenty (20) days written notice to Lender. Original certificates of insurance shall be tendered directly to the Lender upon issuance by insurer, at such times as Lender requests.

6.02 INSPECTION

Britannica shall at all reasonable times and with reasonable notice (unless an Event of Default has occurred hereunder, after which no prior notice must be provided), and from time-to-time, allow the Lender, by or through any of its officers, agents, attorneys, or accountants, to physically inspect all Collateral, inspect, copy or make extracts from Britannica's books and records, all at Britannica's expense. Britannica acknowledges that such examination shall occur no more than one time annually during the tenure of this Agreement unless there is an Event of Default.

6.03 NO SALE OF COLLATERAL

Britannica, during the tenure of this Agreement, will not sell, assign, or dispose of any Collateral to any other party, other than (i) sales of Inventory in the ordinary course of business; or (ii) sales or transfers of delinquent accounts for collection.

6.04 CORPORATE REGISTRATION

Borrower shall not change its jurisdiction of incorporation from the State of Delaware until all Obligations have been fully paid.

6.05 NO MERGER OR ACQUISITION

Except as set forth in Section 6.32, Britannica will not wind up, liquidate, or dissolve itself, reorganize, merge or consolidate with or into, or convey, sell, assign, transfer, lease, or otherwise dispose of (whether in one transaction or a series of transactions), all or substantially all of its assets (whether now owned or hereafter acquired) and/or any of the capital stock or any other ownership interest in Webster, to any Person, or acquire all or substantially all of the

assets or the business of any Person, or permit any subsidiary to do so, except that Britannica or its subsidiary will be allowed to acquire assets or businesses in an aggregate amount up to Three Million and 00/100 Dollars (\$3,000,000.00).

6.06 NO SUBSTITUTION

This Agreement may but need not be supplemented by separate assignments and pledges and, if such assignments and pledges are given, the rights and security interests given thereby shall be in addition to and not in limitation of the rights and security interests given by this Agreement. This Agreement shall not act to terminate, cancel, revoke, nor otherwise cause a novation, estoppel, or waiver of any or all prior security interests granted by Britannica to Lender in and to any collateral contemplated by these presents, or other, wholly or in part, and without exception; and any and all such security interests shall continue to remain properly perfected by Britannica to Lender in their terms and without interruption.

6.07 PROTECTION OF COLLATERAL

Britannica will maintain all Collateral in a condition which is comparable to that which exists on the date hereof, and make any necessary repairs thereto, or replacements thereof; ordinary wear and tear and obsolescence excepted.

Britannica will at the request of Lender, promptly furnish Lender the receipted bills for all payments required by this Agreement. Following an Event of Default, unless it is cured or waived in writing by Lender, Lender may discharge taxes, assessments or Liens or security interests or other encumbrances at any time levied or placed on the Collateral, may pay for insurance on the Collateral and may pay for the maintenance and preservation of the Collateral. Britannica agrees to reimburse Lender on demand for any such payments made by Lender, or any reasonable expenses including attorneys' fees incurred by Lender pursuant to the foregoing authorization, and upon failure of Britannica so to reimburse Lender, any such sums paid or advanced by Lender shall be deemed secured by the Collateral and constitute part of the Obligations.

6.08 COMPLIANCE WITH ERISA

The Borrower will not:

(A) engage in any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code), or commit any other breach of its fiduciary responsibility under Part 4 of Title I of ERISA, which could subject the Borrower or any Borrower Group Member to any material liability under Section 406, 409, 502(i) or 502(d) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower or such Borrower Group Member could be required to indemnify any Person against any such liability or which could otherwise have a Material Adverse Effect on the Borrower or any Plan; or

(B) fail to make any contribution required to be made by it to any Plan or Multiemployer Plan or permit to exist with respect to any Plan (unless otherwise allowed by law) any "accumulated funding deficiency" (as such term is defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; or

(C) (i) commence proceedings to terminate any Plan, other than in a "standard termination" within the meaning of Section 4041 of ERISA, or (ii) permit to exist any proceedings instituted by the PBGC to terminate or to have a trustee appointed to administer any Plan, or (iii) withdraw from any Multiemployer Plan in a manner which could result in the imposition of a withdrawal liability under Part 1 of Subtitle E of Title IV of ERISA.

6.09 FINANCIAL STATEMENTS

The Borrower will deliver, at its sole expense, to the Lender, the following:

- A. Within one hundred eighty (180) days after the close of their 2002 fiscal year end and within one hundred twenty (120) days after the close of each fiscal year thereafter, their financial statements, audited by certified public accountants servicing the Borrower, and satisfactory to the Lender.
- B. Within forty-five (45) days after the close of each quarter, their internally prepared financial statements.
- C. The Borrower will deliver to the Lender a certificate prepared by the chief financial officer, together with the internally prepared financial statements of the Borrower, which shall certify that to the best of his or her knowledge, no Event of Default exists under this Agreement, and no Event of Default exists under any indenture pursuant to which any other indebtedness of the Borrower is outstanding, that no Event of Default exists under the Distribution Agreement and that all the terms of this Agreement and other agreements by Borrower to the Lender have been fully performed, or if to his or her knowledge, any Event of Default of the terms hereof have not been fully performed, such certificate shall specify the nature of such Event of Default and the steps taken by the Borrower to correct such Event of Default; unless waived by the Lender, in writing.
- D. The Borrower shall deliver the Lender, within twenty (20) days of filing a true and correct copy of their federal tax returns, including all schedules.
- E. Britannica shall provide letter with copies of all Royalty Reports as defined in the Distribution Agreement received from Distributor within fifteen (15) days of Borrower's receipt from Distributor.
- F. From time-to-time, such additional information regarding the financial condition or business of the Borrower as the Lender may reasonably request.

6.10 FINANCING STATEMENTS

Prior to any loan being made from Lender to Borrower, the Borrower hereby agrees to execute (if required by law), deliver, and pay the cost of filing any financing statement, or other notices appropriate under applicable law, in respect of any security interest created pursuant to this Agreement or at any other time which may at any time be required by the Lender. The Borrower authorizes the Lender to file any and all financing statements on behalf of the Borrower describing the Collateral. In the event that any re-recording or re-filing thereof (or the filing of any statements of continuation or assignment of any financing statement) is required to protect and preserve such Lien or security interest, the Borrower shall, at its cost and expense, cause the same to be re-recorded and/or re-filed at the time and in the manner reasonably requested by the Lender.

6.11 TAXES AND IMPOSITIONS

(A) Borrower shall (i) pay and discharge all Impositions prior to delinquency, and (ii) at the request of Lender, provide Lender validated receipts or such other evidence satisfactory to Lender showing the payment of such Impositions within thirty (30) days after the same would have otherwise become delinquent. Borrower's obligation to pay the Impositions pursuant to this Agreement shall include, to the extent permitted by applicable law, taxes resulting from future changes in law which impose upon Lender an obligation to pay any property taxes or other Impositions. Should Borrower default any payment of any Impositions, Lender may (but shall not be obligated to) pay such Impositions or any portion thereof and Borrower shall reimburse Lender on demand for all such advances.

(B) Borrower shall not be required to pay, discharge or remove any Imposition so long as Borrower contests in good faith such Impositions or the validity, applicability or amount thereof by an appropriate legal proceeding which operates to prevent the collection of such amounts and the sale of the Collateral, or any portion thereof; provided, however, that prior to the date on which such Imposition would otherwise have become delinquent, Borrower shall have

given Lender prior written notice of such contest and any such contest shall be prosecuted with due diligence, and Borrower shall promptly pay the amount of such Imposition as finally determined, together with all interest and penalties payable in connection therewith.

6.12 MAINTENANCE OF RECORDS

Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Borrower.

6.13 MAINTENANCE OF PROPERTIES

Maintain, preserve and keep, its properties which are used or useful in the conduct of its business (whether owned in fee or a leasehold interest) in good repair and working order and from time-to-time will make all necessary repairs, replacements, renewals and additions so that at all times the efficiency thereof shall be maintained. Britannica agrees that it will maintain and repair the Collateral and keep all of the same in good and serviceable condition and in at least as good condition and repair as same were on the date hereof or in such better condition and repair as same may have been put thereafter. Britannica will not waste or destroy or suffer the waste or destruction of the Collateral or any part thereof.

6.14 CONDUCT OF BUSINESS

Except as otherwise permitted herein, continue to engage in an efficient and economical manner, in a business of the same general type as conducted by it on the date of this Agreement; and Borrower will not, without the prior written consent of the Lender, directly or indirectly enter into any other lines of business, businesses or ventures.

6.15 COMPLIANCE WITH LAWS

Promptly pay and discharge all lawful taxes, assessments and governmental charges or levies imposed upon the Borrower, or upon, or in respect of, all or any part of the property or business of the Borrower, all trade accounts payable in accordance with usual and customary business terms, and all claims for work, labor or materials, which if unpaid might become a Lien or charge upon any property of the Borrower; provided the Borrower shall not be required to pay any such tax, assessment, charge, levy, account payable or claim if (i) the validity, applicability or amount thereof is being contested in good faith by appropriate actions or proceedings which will prevent the forfeiture or sale of any property of the Borrower or any material interference with the use thereof by the Borrower, and (ii) the Borrower shall set aside on its books, reserves deemed by it to be adequate with respect thereto. The Borrower will promptly comply with all laws, ordinances or governmental rules and regulations to which it is subject, including without limitation, the Occupational Safety and Health Act of 1970, ERISA, the Americans with Disabilities Act and all Environmental Laws in all applicable jurisdictions, the violation of which could reasonably be likely to have a Material Adverse Effect.

6.16 ENVIRONMENT

Notify the Lender immediately of any notice of a hazardous discharge or environmental complaint received from any governmental agency or any other party; notify the Lender immediately of any hazardous discharge from or affecting its premises; immediately contain and remove the same, in compliance with all applicable laws; promptly pay any fine or penalty assessed in connection therewith, except such assessments as are being contested in good faith, against which adequate reserves have been established; upon receipt of such notification, permit the Lender to inspect the premises, and to inspect all books, correspondence, and records pertaining thereto; and at the Lender's request, and at the Borrower's expense, provide a report of a qualified environmental engineer, satisfactory in scope, form, and content to the Lender, amid such other and further assurances reasonably satisfactory to the Lender that the condition has been corrected.

6.17 PAYMENT OF LOAN

The Borrower will duly and punctually pay the principal of, and interest on the Loan in accordance with the terms of this Agreement and the Note.

6.18 PRINCIPAL DEPOSITORY

The Borrower shall conduct substantially all of its banking business with the Lender, including, without limitation, retaining the Lender as its principal depository savings accounts, checking accounts, general demand depository accounts, and such other accounts as are utilized by the Borrower from time-to-time. Further, Britannica shall within 90 days from the date hereof move its lock box account from Wachovia Bank to Lender and Britannica shall execute all of Lender's standard Lock Box Agreements.

6.19 [INTENTIONALLY DELETED]

6.20 NO GUARANTEES

Without the prior written consent of Lender, Britannica will not assume, guaranty, endorse or otherwise become directly or contingently liable, or permit any of its subsidiaries to assume, guaranty, endorse, or otherwise become directly or contingently liable (including, without limitation, liable by way of agreement, contingent or otherwise, to purchase, to provide funds for payment, to supply funds to or otherwise invest in any debtor or otherwise to assure any creditor against loss) in connection with any Debt of any other Person, except guaranties by endorsement or similar transaction in the ordinary course of business.

6.21 CORPORATE LOANS

Britannica agrees that it shall neither make any loans nor investments in other Persons until all Obligations are fully paid other than (i) investments in obligations of the United States of America and agencies thereof and obligations guaranteed by the United States of America maturing within one year from the date of acquisition, (ii) certificates of deposit, time deposits or repurchase agreements issued by commercial banks organized under the laws of the United States of America or any state thereof and having a combined capital, surplus, and undivided profits of not less than \$500,000,000 (iii) commercial paper, maturing not more than nine months from the date of issue, provided that, at the time of purchase, such commercial paper is rated not lower than "P-1" or the then equivalent rating by Moody's Investors Service or "A-1" or the then-equivalent rating by Standard & Poor's Corporation or, if both such rating services are discontinued, by such other nationally recognized rating service or services, as the case may be, as Britannica shall select with Lender's consent, (iv) guaranties of which the Lender is the beneficiary, (v) investments existing on the date hereof, (vi) investments in deposit accounts not prohibited under this Agreement and the other Loan Documents, (vii) investments in investment products offered by Lender and its affiliates and (viii) investments permitted pursuant to Section 6.05.

6.22 ADVERSE TRANSACTIONS

The Borrower shall not enter into any transaction that would reasonably be likely to have a Material Adverse Effect, including without limitation the sale of any of the Webster capital stock which shall not be sold under any circumstance.

6.23 REPURCHASE

Britannica shall not make a sale to any customer on a bill-and-hold guaranteed sale, sale and return, sale on approval, consignment or any other repurchase or return basis other than standard practices in the industry. Lender is aware of standard practices regarding returns from retail outlets and eventual credits allowed to intermediary distributors. For sake of clarity, none of the foregoing arrangements are deemed to be consignment arrangements.

6.24 NAME

Britannica shall not use any corporate name other than its corporate name as set forth in its Articles of organization or Certificate of Incorporation (as the case may be) on the date hereof.

6.25 PREPAYMENT

Britannica shall not prepay any Debt other than the Obligations, except in the ordinary course of business and to the extent that it could not reasonably be likely to have a Material Adverse Effect.

6.26 AFFILIATE TRANSACTIONS

Britannica will not enter into any transaction with any Affiliate unless such transaction is in the ordinary course of business and on terms and conditions at least as favorable to Britannica as the terms and conditions that would apply in a similar transaction with a Person who is not an Affiliate. Lender acknowledges that Merriam-Webster, Incorporated, other subsidiaries and Affiliates, and Britannica conduct business among themselves.

6.27 NO DISTRIBUTIONS

On and after the occurrence of an Event of Default, Borrower will not, without the prior written consent of Lender, pay or declare any cash or property dividend, nor otherwise make a distribution of capital or income, nor redeem, retire or repurchase any stock of Britannica or Webster until all Obligations have been fully paid.

6.28 NO LIENS

Except for Permitted Liens, the Collateral shall be kept free and clear of all Liens, security interests and encumbrances of every nature or description (whether for taxes or assessments, or charges for labor, materials, supplies or services or any other thing). Other than the Collateral and Permitted Liens, Britannica will not cause or permit any instrument or document affecting the Collateral to be recorded without Lender's prior written consent thereto.

6.29 NO DEBT

Until all Obligations have been fully paid, Britannica shall not create, incur, assume or suffer to exist any Debt, except (i) the Obligations under this Agreement and the other Loan Documents, (ii) trade accounts payable incurred, in respect of property purchased, in the ordinary course of business, (iii) Debt incurred under the SWAP Agreement or arrangement required by Section 2.08, (iv) Debt in respect of capital leases, (v) Debt secured by purchase money liens not prohibited under this Agreement, (vi) Debt arising from investments that are permitted under this Agreement and (vii) Debt arising from the extension, renewal or replacement of any Debt described above so long as the principal amount of the Debt secured thereby is not increased, other than Borrower's revolving credit arrangement with Encyclopaedia Universalis, S.A., whereby Borrower (through its French subsidiary) has a fluctuating unsecured and subordinated credit line which increases or decreases from time to time.

6.30 LENDER'S EXPENSES

Borrower shall pay, on demand by Lender, all reasonable expenses, charges, costs and fees in connection with the negotiation, documentation and closing of the Loan, including all registration and recording fees, environmental consultant fees, costs of appraisals, costs of engineering reports, fees and disbursements of all counsel (both local and special) of Lender, cost of surveys, fees and expenses of Persons employed by Lender to inspect the Collateral, and

reasonable out-of-pocket travel expenses incurred by Lender and Lender's agents and employees in connection with the Loan. On the date hereof, Lender may pay directly from the proceeds of the Loan each of the forgoing expenses.

6.31 DISTRIBUTION AGREEMENT REPRESENTATIONS

A. Britannica acknowledges that the Distribution Agreement is currently in full force and effect and constitutes a valid and binding obligation enforceable against Britannica in accordance with its terms.

B. To the best of Britannica's knowledge, Britannica is aware of no, nor has it asserted, or could it assert as of this date, that there is any uncured breach or default under the Distribution Agreement on its part and no state of facts exist which would constitute a breach or default on the part of Britannica under the Distribution Agreement.

C. Britannica is in complete compliance with all terms, conditions and covenants of Section 4 of the Distribution Agreement and shall advise Lender in writing, as and when it is not in complete compliance with Section 4 of said Distribution Agreement.

D. Notwithstanding anything to the contrary contained in any Loan Document or any other agreement to which Britannica is a party, Britannica agrees to immediately draw on the Letter of Credit upon the Lender's written demand that it do so.

6.32 NON-PLEDGE

Britannica will not create, assume or suffer to exist or permit any of its subsidiaries to create, incur, assume or suffer to exist any mortgage, deed of trust, pledge, lien, security interest, or other charge or encumbrance (including the lien or retained security title of a conditional vendor) of any nature (collectively "Liens") upon or with respect to any of the capital stock of Webster, except that the foregoing restrictions shall not apply to: (i) Liens for taxes, assessments or governmental charges or levies on property of Borrower or any of its subsidiaries if the same shall not at the time be delinquent or thereafter can be paid without interest or penalty and (ii) an existing pledge of the Webster capital stock to Bank of America.

7.00 REPRESENTATIONS REMADE

All representations and warranties made herein or in any other Loan Documents or in any certificate or other document delivered to Lender by or on behalf of Borrower, Britannica and/or Webster as the case may be, pursuant to or in connection with this Agreement or any other Loan Document shall be deemed to have been relied upon by Lender, notwithstanding any investigation heretofore or hereafter made by, or on behalf of Lender. All such representations and warranties shall survive the making of the Loan and shall continue in full force and effect until such time as the Loan has been paid in full.

8.00 [INTENTIONALLY DELETED]

9.00 [INTENTIONALLY DELETED]

10.00 CONTROL

Britannica will cooperate with Lender, and execute agreements reasonably required by Lender, in obtaining control with respect to Collateral consisting of:

(i) deposit accounts; and

(ii) letter of credit rights.

Britannica will not create any chattel paper without placing a legend on the chattel paper acceptable to Lender,

indicating that Lender has a security interest in the chattel paper.

11.00 DEFAULT

Borrower shall be in default under this Agreement upon the happening of any of the following events or conditions (which shall individually and/or collectively be referenced as an "Event of Default") without notice or demand;

11.01 Failure to observe or perform any of its agreements, warranties or representations in this Agreement, or in any agreement with Lender, whether in connection with this financial transaction or other transaction with Lender.

11.02 Unauthorized sale or encumbrance of any Collateral.

11.03 Material loss or theft, substantial damage or destruction, of a Material amount of the Collateral in excess of reasonably expected recoveries under insurance policies, or the making of any levy, seizure or attachment thereof or thereon. For the purposes of this section, the term "Material" shall mean in excess of Fifty Thousand and 00/100 Dollars (\$50,000.00);

11.04 Failure of Borrower to pay within fifteen (15) consecutive days of when due any amount payable by it to the Lender under any of its Obligations to the Lender when and as the same shall become due, whether upon demand, at maturity, by acceleration, or otherwise.

11.05 The failure of Citibank to extend the Letter of Credit for a minimum of one (1) year on or before one hundred twenty (120) days prior to the stated expiration date contained in the Letter of Credit or any extended expiration date thereof.

11.06 Insolvency as defined in this Agreement, or the recording or existence of any lien for unpaid taxes, which is not a Permitted Lien in excess of Five Thousand and 00/100 Dollars (\$5,000.00).

11.07 Britannica's and/or the Distributor's default under the Distributor Agreement.

11.08 The making by the Borrower of any material misrepresentation to the Lender for the purpose of obtaining credit or an extension of credit.

11.09 The failure of Borrower to replace the Letter of Credit with a substitute Letter of Credit duly assigned to the Lender from a bank deemed suitable by the Lender in its sole discretion in the event that Citibank's credit rating falls below "investment grade" as determined by Standard and Poor's.

11.10 The occurrence of any Event of Default by Webster of any of Webster's Obligations to Lender under this Agreement or any other agreement with Lender.

11.11 The exercise of any rights or remedies, including without limitation, foreclosure, liquidation, recapitalization, redemption, conversion or otherwise by Bank of America with respect to any or all of the stock which it holds in Encyclopaedia Britannica, Inc. and/or Merriam Webster, Incorporated, pursuant to any of the pledge documents or financing documents under which the Merriam-Webster, Incorporated stock is pledged pursuant to the loan documents and financing arrangements with Bank of America.

Notwithstanding the foregoing, Borrower shall be provided notice of a non-monetary default and given ten (10) Business Days to cure such default. Subject to the fifteen (15) day grace period contained in Section 11.04, no notice or right to cure shall be given with respect to a monetary default.

12.00 LENDER'S RIGHTS

Subject to the above right to cure, upon the occurrence of an Event of Default, which has not been cured and/or waived by Lender in writing, Lender may:

12.01 Notify account debtors at Borrower's expense, that the Collateral has been assigned to Lender and that payments shall be made directly to Lender and upon request of Lender, Borrower will so notify such account debtor that their accounts must be paid to Lender. This right may be exercised by the Lender at any time, following an Event of Default. Borrower will immediately upon receipt of all checks, drafts, cash and other remittances deliver the same in kind to the Lender following an Event of Default. Lender shall have full power to collect, compromise, endorse, sell or otherwise deal with the Collateral or proceeds thereof in its own name or in the name of Borrower and Borrower hereby, for consideration paid, irrevocably appoints the Lender its attorney-in-fact for this purpose.

12.02 Without notice to Borrower, enter and take possession of all Inventory, and other Collateral and the premises on which they are now or hereafter located, including without limitation, breaking the close and changing and replacing locks as may be required without the same being considered as a trespass, as Borrower hereby expressly provides authority for the same. The Lender, at its sole discretion, may operate and use Borrower's equipment, complete work in process and sell Inventory without being liable to the Borrower on account of any losses, damage or depreciation that may occur as a result thereof so long as Lender shall act commercially reasonable and in good faith and may lease or license the Collateral to third persons or entities for such purposes; and in any event, Lender may at its option and without notice to Borrower, except as specifically herein provided, sell, lease, assign and deliver, the whole or any part of the Collateral, or any addition thereto, at public or private sale, for cash, upon credit, or for future delivery, at such prices and upon such terms as Lender deems advisable, including without limitation the right to sell or lease in conjunction with other property, real or personal, and allocate the sale proceeds or leases among the items of property sold without the necessity of the Collateral being present at any such sale, or in view of prospective purchasers thereof. Lender shall give Borrower ten (10) Business Days prior notice by hand delivery to Borrower or by United States mail, postage prepaid (in which event notice shall be deemed to have been given when so deposited in the mail), at the address specified herein, of the time and place of any public or private sale or other disposition unless the Collateral is perishable, threatens to decline speedily in value, or is the type customarily sold in a recognized market. Upon such sale, Lender may, in accordance with applicable law, become the purchaser of the whole or any part of the Collateral sold, discharged from all claims and free from any right of redemption. In case of any such sale by Lender of all or any of said Collateral on credit, or for future delivery, such property so sold may be retained by Lender until the selling price is paid by the purchaser. The Lender shall incur no liability in case of the failure of the purchaser to take up and pay for the Collateral so sold. In case of any such failure, the said Collateral may be again, from time-to-time, sold.

12.03 Subject to the Distribution Agreement, may use all trademarks, service marks, trade names, trade styles, logos, goodwill, trade secrets, franchises, licenses, copyrights and patents relating to the Collateral, which the Borrower now has or may hereafter acquire, including the following rights:

- (i) the rights in said marks, name, styles, logos and goodwill acquired by the common law of the United States or of any state thereof or under the law of any foreign nation, organization, or subdivision thereof;
- (ii) the rights acquired by registrations of said marks, names, styles, and logos under the statute of any foreign country, or the United States, or any state or subdivision thereof;
- (iii) the rights acquired in each and every form of said mark, name, style and logo as used by the Borrower notwithstanding that less than all of such forms would be registered and notwithstanding the form of said mark, name and style;
- (iv) the right to use or license any party to the use of all or any of said marks, names, styles, logos and goodwill in connection with the sale of goods and/or the rendering of services in the conduct of services advertising, promotion and the like anywhere in the world;

(v) the right to use said marks, names, styles, logos and goodwill either in connection with or entirely independent from the Collateral;

(vi) the right to assign, transfer and convey a partial interest or the entire interest in any one or more of said marks, names, styles or logos;

(vii) the right to seek registration, foreign or domestic, of any of said marks, names, styles or logos which was not registered as of the date hereof or registered subsequently;

(viii) the right to prosecute pending trademark applications for foreign or domestic registration (federal or state) of any of said marks, names, styles or logos.

12.04 Act as attorney-in-fact for Borrower for the purposes herein described, and Borrower does hereby make, constitute and appoint any officer or agent of Lender as Borrower's true and lawful attorney-in-fact, with full power: to endorse the name of Borrower or any of Borrower's officers or agents upon any assignments, notes, checks, drafts, money orders, or other instruments of payment or Collateral that may come into possession of Lender for purposes of such recovery of monies; to sign and endorse the name of Borrower or any of Borrower's officers or agents upon any negotiable instrument, invoice, freight or express bill, bill of lading, storage or warehouse receipts, drafts, assignments, verifications and notices in connection with accounts, and any instruments or documents relating thereto or to Borrower's rights therein; to give notice to the United States Post Office to effect changes of address so that mail addressed to the Borrower may be permanently delivered directly to the Lender for purposes of accepting same, and obtaining access to contents, in order to take possession of such Collateral, with full power to do any and all things necessary to be done in and about the premises as fully and effectually as Borrower might or could do; and Borrower does hereby ratify all that Lender shall lawfully do, or cause to be done by virtue hereof.

12.05 Make all Obligations immediately due and payable, without presentment, demand, protest, hearing or notice of any kind and exercise the remedies of a Lender afforded by the Uniform Commercial Code and other applicable law or by the terms of any agreement between Borrower and Lender.

12.06 In the case of any sale or disposition of the Collateral, or the realization of funds therefrom, the proceeds thereof shall first be applied to the payment of the reasonable expenses of re-taking, maintaining, and foreclosure of Collateral, and costs, fees and expenses of such sale, commissions, reasonable attorney's fees and all charges paid or incurred by Lender pertaining to said sale, including any taxes or other charges imposed by law upon the Collateral and/or the owning, holding or transferring thereof; secondly, to pay, satisfy, and discharge the Obligations secured hereby pro rata in accordance with the unpaid amount thereof; and thirdly, to pay the surplus, if any, to Borrower, provided that the time of any application of the proceeds shall be at the sole and absolute discretion of the Lender. To the extent such proceeds do not satisfy the foregoing items, Borrower hereby promises and agrees to pay the deficiency.

12.07 The Lender and the holders of the Obligations may take or release other security, may release any party primarily or secondarily liable for any of the Obligations, may grant extensions, renewals or indulgences with respect to the Obligations, or may apply to the Obligations the proceeds of the Collateral or any amount received on account of the Collateral by the exercise of any right permitted hereunder, without resorting or regard to other security or sources of reimbursement.

12.08 Require the Borrower to assemble the Collateral in a single location at a place to be designated by Lender and make the Collateral at all times secure and available to the Lender.

12.09 The Lender shall hereby also be granted a security interest in, and right of set off against any balance on any deposit, deposit account, agency, reserve, holdback, or other account maintained by, or on behalf of, the Borrower with the Lender and the Lender shall have the right to apply the proceeds of such foreclosure or set off against such items of Borrower's Obligations as Lender may select.

12.10 All rights and remedies of Lender whether provided for herein or in other agreements, instruments, or documents, or conferred by law, are cumulative and not alternative and may be enforced successively.

12.11 Lender may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

12.12 Lender may sell the Collateral without giving any warranties as to the Collateral. The Lender may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect, the commercial reasonableness of the sale of the Collateral.

12.13 In the event Lender purchases any of the Collateral being sold, Lender may pay for the Collateral by crediting some or all of the Obligations of the Borrower, in accordance with applicable law.

12.14 Lender has no obligation to marshal any assets in favor of Borrower or in payment of any of the Obligations or any other obligations owed to Lender by Borrower or any other person.

13.00 BORROWER'S ACKNOWLEDGMENTS

13.01 Borrower acknowledges that Lender has not, by the terms hereof, acted to intrude into any of its management decisions, or prerogatives, nor has it entered into control or management of Borrower's affairs. Any reference herein to limitation on action(s) or conduct on the part of the Borrower represents only undertakings, or forbearance(s) necessary to preserve the cash flow, and asset and financial status quo promised by the Borrower upon which the Loan was originally contemplated, and which the Lender relied as a condition-precedent thereto, and which are necessary to the protection of Lender, in its sole status as secured lender, and not otherwise.

13.02 The Borrower acknowledges and represents that it is a sophisticated borrower and has experience in financial matters generally and in Borrower obligations, specifically. Borrower acknowledges that it has been represented by counsel, and that a draft of this Agreement has been available for review and negotiation. Therefore, Borrower hereby agrees that all Lender's rights were the result of negotiations between the Lender and the Borrower and were induced in a material respect by the benefits granted to the Borrower hereunder.

14.00 BORROWER'S OBLIGATION TO PAY EXPENSES OF LENDER

Excluding expenses in connection with the preparation of this Agreement and the Loan Documents, the Borrower agrees to pay all reasonable expenses, including counsel fees and other expenses which may be paid or incurred by Lender in connection with (i) the amendment of this Agreement or the Loan Documents, (ii) the representation of the Lender in any litigation, contest, dispute, suit or proceeding or to commence, defend or intervene or to take any other action in or with respect to any litigation, contest, dispute, suit or proceeding in any way or respect relating to this Agreement, the Loan Documents or any Collateral or (iii) enforcing any of the Lender's rights with respect to the Borrower, including without limiting the generality of the foregoing, the enforcement of any security interest granted hereby, and representation in any litigation including any bankruptcy or insolvency proceedings. All such expenses may be added to the principal amount of any indebtedness owed by the Borrower to Lender and shall constitute part of the Obligations secured hereby.

15.00 TENURE

Borrower's liability under this Agreement shall commence with the date hereof and continue in full force and effect and be binding upon Borrower until the Loan whether now in existence, or created hereinafter, shall have been fully paid and satisfied, and until so paid and satisfied, Lender shall be entitled to retain the security interest granted hereby in all Collateral. At any time, either party may advise the other that no further loans or advances are to be made, but such notice shall in no way cause any and all obligations of the Borrower to Lender to be waived.

16.00 NO WAIVERS BY THE LENDER

No delay or omission on the part of Lender in exercising any rights shall operate as a waiver of such right or any other right. Waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion.

17.00 AMENDMENT

This Agreement constitutes the entire agreement between the parties. The Agreement or any part thereof cannot be changed, waived, or amended, except by an instrument in writing, signed by both the Lender and Borrower herein.

18.00 RIGHTS AND LIABILITIES OF ASSIGNS

Borrower shall not be permitted to assign this Agreement, unless expressly authorized by the Lender in writing. Lender may assign its interests under this agreement. The assignment of this Agreement shall bind all persons to become bound as a borrower to this Agreement. In the event Lender may assign its rights and interest under this Agreement, the Borrower shall render performance under this Agreement to the assignee.

19.00 CONSTRUCTION

This Agreement shall be deemed to have been entered into in the Commonwealth of Massachusetts, and the laws of the Commonwealth of Massachusetts shall govern the construction of this Agreement and the rights and duties of the parties hereto. It is agreed and understood that, as this form of agreement may be used by persons of either sex, and for one or more corporations, and also where there are several parties, in such cases, the masculine and plural, as herein used, shall be instead of and shall stand for, the feminine or neuter gender or the single number, as the context may require. Any ambiguity, contradiction, or inconsistency between this Agreement and any other documents relied upon by Lender shall, at all times, be resolved in favor of this Agreement.

20.00 NOTICE

All notices hereunder shall be in writing and shall be delivered to the Chief Executive Officer and General Counsel of Britannica (i) in person, (ii) by facsimile, (iii) by overnight express courier of national reputation for overnight delivery, or (iv) by registered or certified mail, postage prepaid, addressed in each case to the appropriate party at the address set forth in the preamble hereto. All written notices delivered pursuant to this Section 20.00 shall be deemed received (i) if sent by facsimile, on the day sent if a Business Day, or if such day is not a Business Day, then on the next Business Day, (ii) if sent by overnight express courier, on the next Business Day immediately following the day sent or (iii) if sent by registered or certified mail, on the fifth Business Day following the day sent.

21.00 CONSENT TO JURISDICTION

THE BORROWER, GUARANTOR AND LENDER EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY (A) SUBMITS TO PERSONAL JURISDICTION IN THE COMMONWEALTH OF MASSACHUSETTS OVER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, AND (B) WAIVES ANY AND ALL PERSONAL RIGHTS UNDER THE LAWS OF ANY STATE (I) TO THE RIGHT, IF ANY, TO TRIAL BY JURY, (II) TO OBJECT TO JURISDICTION WITHIN THE COMMONWEALTH OF MASSACHUSETTS OR VENUE IN ANY PARTICULAR FORUM WITHIN THE COMMONWEALTH OF MASSACHUSETTS, AND (III) TO THE RIGHT, IF ANY, TO CLAIM OR RECOVER ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN ACTUAL DAMAGES. THE BORROWER AND LENDER EACH AGREES THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED DIRECTED TO SUCH

PARTY AT THE ADDRESS SET FORTH ON PAGE 1 ABOVE, AND SERVICE SO MADE SHALL BE COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL BE SO MAILED. NOTHING CONTAINED HEREIN, HOWEVER, SHALL PREVENT THE LENDER FROM BRINGING ANY SUIT, ACTION OR PROCEEDING OR EXERCISING ANY RIGHTS AGAINST ANY COLLATERAL AND AGAINST THE BORROWER, AND AGAINST ANY PROPERTY OF THE BORROWER, IN ANY OTHER STATE. INITIATING SUCH SUIT, ACTION OR PROCEEDING OR TAKING SUCH ACTION IN ANY STATE SHALL IN NO EVENT CONSTITUTE A WAIVER OF THE AGREEMENT CONTAINED HEREIN THAT THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS SHALL GOVERN THE RIGHTS AND OBLIGATIONS OF THE BORROWER AND THE LENDER HEREUNDER OR THE SUBMISSION HEREIN BY THE BORROWER AND LENDER TO PERSONAL JURISDICTION WITHIN THE COMMONWEALTH OF MASSACHUSETTS.

22.00 CONFIDENTIALITY

The Lender (and its agents, employees, directors, and officers) shall hold all confidential information with respect to the Borrower that is obtained pursuant to or in connection with this Agreement in accordance with its customary procedures for handling confidential information of such nature; it being understood that the Lender or any assignee may disclose such information (a) to any of its examiners, affiliates, outside auditors, counsel and other professional advisors in connection with this Agreement, (b) as required or requested by any governmental or regulatory agency or representative thereof or pursuant to legal process. Notwithstanding the foregoing, the Lender or any assignee may disclose any information that (i) becomes publicly available other than as a result of a breach of this Agreement, (ii) becomes available to the Lender or assignee on a nonconfidential basis from a source other than the Borrower and not in contravention of any other confidentiality obligations of which the Lender or such assignee has actual knowledge, (iii) it deems necessary following an Event of Default, or (iv) was available to the Lender or such assignee on a nonconfidential basis prior to its disclosure to the Lender or assignee by the Borrower.

23.00 COUNTERPARTS This Agreement and any amendment or supplement hereto or any waiver granted in connection herewith may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. The Borrower, Guarantor and the Lender agree to accept facsimile counterparts.

EXECUTED UNDER SEAL this 22 day of November, 2002, by the parties set forth below, or by their duly authorized officers.

ENCYCLOPAEDIA BRITANNICA, INC.

Richard D Anderson
Witness

BY: [Signature]
Its duly authorized (seal)

SOVEREIGN BANK

[Signature]
Witness

BY: [Signature]
Its duly authorized (seal) VICE PRESIDENT

MERRIAM-WEBSTER, INCORPORATED

[Signature]
Witness

[Signature]
29 by [Signature]

Witness

BY: _____
Its duly authorized (seal)