



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

5-21-03 REC

102475238

TRADEMARKS ONLY

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

Tab settings

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

1. Name of conveying party(ies):

Metropolitan Teaching and Learning Company, Inc.

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

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

3. Nature of conveyance:

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

Execution Date: 4-30-03

2. Name and address of receiving party(ies)

Name: MESBIC Ventures, Inc.

Internal Address:

Street Address: 2435 North Central Expressway Richardson State: TX Zip: 75080

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

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

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

A. Trademark Application No.(s) 76/486353 76/496728; 76/442523; 76442500; 76/442524

Additional number(s) attached Yes No

B. Trademark Registration No.(s) 2585693

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

Name: Richard Gale, Esq.

Internal Address: Arent Fox et al.

Street Address: 1050 Connecticut Avenue, NW

City: Washington State: DC Zip: 20036

6. Total number of applications and registrations involved: 5

7. Total fee (37 CFR 3.41) \$ 165.

- Enclosed, Authorized to be charged to deposit account

8. Deposit account number: 01-2300

DO NOT USE THIS SPACE

9. Signature.

E.T. Henry/Sr. Legal Assistant Name of Person Signing

Signature

May 13, 2003 Date

Total number of pages including cover sheet, attachments, and document: 35

06/16/2003 TDIAZ1

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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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RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY

Conveying Party

Enter Additional Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name Metropolitan Teaching and Learning, Inc.

03 30 03

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

Mark if additional names of receiving parties attached

Name Alliance Enterprise Corporation

DBA/AKA/TA

Composed of

Address (line 1) 2435 North Central Expressway

Address (line 2)

Address (line 3) Richardson TX 75080
City State/Country Zip Code

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

Citizenship/State of Incorporation/Organization Delaware

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

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

Mark if additional numbers attached

Trademark Application Number(s)

Registration Number(s)

76/486353 76/496728 76/442523
76/442500 76/442524

2585693

**RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY**

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

U.S. Department of Commerce
Patent and Trademark Office
TRADEMARK

Conveying Party

Enter Additional Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKATA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

Individual General Partnership Limited Partnership

Corporation Association

Other

Citizenship/State of Incorporation/Organization

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

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

Mark if additional numbers attached

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

Trademark Application Number(s)

Registration Number(s)

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SECURITY AGREEMENT

This is a security agreement dated as of April 30, 2003 from Metropolitan T.L.C. Holdings, Inc. ("Metro"), American Teacher Publications Inc. ("ATPI"), Dialogue Systems, Inc. ("Dialogue") and Metropolitan Teaching & Learning Co., Inc. ("MTLC"), each with an address at 33 Irving Place, New York, NY 10003 to MESBIC Ventures, Inc. ("MESBIC"), Alliance Enterprise Corporation ("AEC") and Reginald Powe ("Powe"), each with an address as set forth in the Purchase Agreement (as defined below).

WITNESSETH

A. Metro has entered into a Subordinated Note Purchase Agreement of even date (the "Purchase Agreement") with MESBIC, AEC and Powe pursuant to which MESBIC, AEC and Powe have purchased from Metro certain promissory notes in the aggregate amount of approximately \$ 1,396,177.70 (the "Notes"). The Notes have been guaranteed by its subsidiaries ATPI, Dialogue and MTLC (Metro and such subsidiaries are referred to collectively as the "Debtor"). MESBIC, AEC and Powe are each sometimes referred to collectively as the "Initial Holders".

B. The Purchase Agreement contemplates that the obligations of the Debtor to the holders of the Notes shall be subordinated to the rights and obligations of the Debtor to certain senior lenders (the "Senior Lenders") on the terms of an amended and restated intercreditor agreement to be entered into between the Senior Lenders, the holders of the Notes and certain other persons.

C. It is a condition to the effectiveness of the Purchase Agreement that the Debtor provide a security interest to the Initial Holders in all of its assets under the terms and conditions of this agreement to secure its obligations thereunder.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, the parties hereto agree as follows:

SECTION I. DEFINITIONS AND OTHER PROVISIONS

1.01 Certain Defined Terms

The following terms have the following meanings:

"Accounts" means all rights to the payment of money for goods sold or leased or for services rendered by the Debtor whether in form of accounts receivable, contract rights, chattel paper, instruments, notes, bills, acceptances, general intangibles and other forms of obligations relating to such rights, together with any property evidencing or relating to such rights, including, without limitation, all books, records, invoices, magnetic tapes, processing software, processing contracts (such as contracts for computer

time and services) and any other rights or property of the Debtor that is an "account" within the meaning of the UCC.

"Chattel Paper" means all chattel paper, as that term is defined in the UCC, including without limitation any writings which evidence both a monetary obligation and a security interest in or a lease of specific goods.

"Collateral" means all tangible and intangible personal property of Debtor including without limitation all Accounts, Chattel Paper, Commercial Tort Claims, Deposit Accounts, Documents, Equipment, General Intangibles, Instruments, Inventory, Investment Property and Letters of Credit whether presently owned or hereafter acquired together with all Proceeds thereof.

"Commercial Tort Claims" means tort claims of the Debtor arising from time to time including the commercial tort claims listed on Schedule 3.11.

"Copyrights" means all copyrights, all registrations thereof, and applications in connection therewith pending with the United States Copyright Office or similar office in any other country.

"Deposit Accounts" means all demand, time, savings, passbook or like accounts maintained with a bank, savings and loan association, credit union or like organization including an account evidenced by a certificate of deposit.

"Documents" means all documents, as that term is defined in the UCC, including but not limited to documents of title (as that term is defined in the UCC) and any and all receipts of the kind described in Article 7 of the UCC.

"Equipment" means all machinery, apparatus, equipment, fittings and other tangible personal property (other than Inventory) of every kind and description used in the Debtor's operations or owned by the Debtor in which Debtor has an interest, whether or not affixed to realty, including without limitation, all motor vehicles, trucks, trailers, handling and delivery equipment, cranes, hoisting equipment, fixtures, office machines and furniture, together with all accessions, replacements, rights under any manufacturer's warranties relating to the foregoing and any other rights or property of the Debtor that is equipment within the meaning of the UCC.

"General Intangibles" means all general intangibles, as that term is defined in the UCC, including, without limitation, all chose in action, causes in action, designs, plans, goodwill, tax refunds, Patents, Copyrights, Trademarks, licenses, franchises and all rights under license agreements for use of the same.

"GAAP" means generally accepted accounting principles in the United States of America in effect from time to time.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Instruments” means instruments, as that term is defined in the UCC, including without limitation bills of exchange, notes and all negotiable instruments, all certificated securities, all certificates of deposit and any other writing which evidences a right to payment of money and is a type which is in the ordinary course of business transferred by delivery with any necessary endorsement or assignment.

“Intercreditor Agreement” means the “Intercreditor Agreement” as that term is defined in the Purchase Agreement.

“Inventory” means all goods intended for sale or lease by the Debtor, of every nature, kind and description wherever located, including without limitation raw materials, goods, work in process and finished goods and all goods returned or reclaimed from customers, together with any other rights or property of the debtor that is inventory within the meaning of the UCC.

“Investment Property” means (i) all securities, or securities certificates or uncertificated securities representing the securities, (ii) security entitlements, (iii) securities accounts, (iv) commodity contracts, or (v) commodity accounts; including the stock, membership interests of the Debtor in any Subsidiary.

“Letters of Credit” means all letters of credit including, but not limited to, any written undertaking to pay money conditioned upon the presentation of specified documents and advances of letters of credit.

“Liens” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the filing of any financing statement under the UCC or comparable law of any jurisdiction in respect of any of the foregoing).

“Patents” means all letters patent, reissues and extensions thereof, applications for letters patent and all divisions, continuations and continuations-in-part thereof of the United States or any other country.

“Proceeds” means all proceeds as that term is defined in the UCC including without limitation whatever is received upon the use, lease, sale, exchange, collection, any other utilization of any disposition of any property whether or not in cash, all rental or lease payments, accounts, chattel paper, instruments, documents, general intangibles, equipment, inventory, substitutions, additions, accessions, replacements, products and renewals of, for, or to such property and all insurance therefor.

“Requirement of Law” as to any person, the certificate of incorporation and by-laws or other organizational or governing documents of such person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such person or any of its property or to which such person or any of its material property is subject.

“Secured Party” means collectively, MESBIC, AEC and Powe, and their respective successors and assigns, as holders of the Notes . For avoidance of doubt, any action to be taken by Secured Party hereunder shall be taken by those of MESBIC, AEC and Powe, and their respective successors and assigns, that hold a majority of the outstanding principal of the Notes outstanding at the time in question.

“Secured Obligations” means all present and future obligations of the Debtor arising under the Purchase Agreement, the notes issued thereunder and the documents related thereto and this agreement, whether direct or indirect, joint or several, secured or unsecured, primary or secondary, absolute or contingent, which are due or that may become due whether contracted, acquired or arising by operation of law including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding.

“Senior Lenders” means the Senior Creditor and the Mezzanine Lenders within the meaning of the Intercreditor Agreement and Powe and MESBIC to the extent that they provide additional credit to the company of up to \$300,000 original principal amount after payment in full of the Senior Creditor.

“Purchase Agreement” has the meaning assigned to such term in the Recitals to this agreement.

“Trademarks” means all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired, and all registrations and recordings thereof and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof.

“UCC” means the Uniform Commercial Code as effect in the State of New York from time to time.

1.02 Other Definitional Provisions

a. As used herein and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in Subsection 1.01 shall have the respective meanings given to them under GAAP.

b. The words “hereof”, “herein” and “hereunder” and words of similar import when used in this agreement shall refer to this agreement as a whole and not to any particular provision of this agreement, and section, subsection schedule and exhibit references are to this agreement unless otherwise specified. The meaning of defined terms shall be equally applicable to the singular and plural forms of the defined terms.

SECTION II. SECURITY INTEREST

2.01 Grant of Security Interest

The Debtor hereby grants to the Secured Party a lien on and a security interest in the Collateral to secure the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations.

2.02 Failure to Perform Agreements

If the Debtor fails to perform or comply with any of its agreements contained herein and the Secured Party, as provided for by the terms of this agreement, shall itself perform or comply, or otherwise cause performance or compliance with such agreement, the reasonable expenses of the Secured Party incurred in connection with such performance or compliance, together with interest thereon at a rate equal to the “Default Interest Rate” as defined in the notes issued pursuant to the Purchase Agreement, such interest to be calculated from the date of such advance to the date of repayment thereof, shall be payable by the Debtor to the Secured Party 5 days following demand for payment by the Secured Party.

2.03 Secured Party’s Appointment as Attorney-in-Fact

Subject to the agreement of the Secured Party in the last sentence of this Section 2.03 to only exercise the following rights if an Event of Default shall have occurred and is continuing and to any prior rights of the Senior Lenders, the Debtor hereby irrevocably constitutes and appoints the Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Debtor and in the name of the Debtor or in its own name, from time to time in the Secured Party’s discretion, for the purpose of carrying out the terms of this agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this agreement, and, without limiting the generality of the foregoing, the Debtor hereby gives the Secured Party the power and right, on behalf of the Debtor without notice to or assent by the Debtor, to do the following:

a. to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of monies due under any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed

appropriate by the Secured Party for the purpose of collecting any and all such monies due under any Collateral whenever payable;

b. to pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this agreement and to pay all or any part of the premiums therefor and the costs thereof;

c. to direct any party liable for any payment under any of the Collateral to make payment of any and all monies due or to become due thereunder directly to the Secured Party;

d. to ask or demand for, or collect, receive payment of and receipt for, any and all monies, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral;

e. to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral;

f. to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral;

g. to defend any suit, action or proceeding brought against the Debtor with respect to any Collateral;

h. to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Secured Party may deem appropriate;

i. generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Secured Party were the absolute owner thereof for all purposes, and to do, at the Secured Party's option and the Debtor's expense, at any time, or from time to time, all acts and things which the Secured Party deems necessary to protect, preserve or realize upon the Collateral and the Security Interests thereon in order to effect the intent of this agreement, all as fully and effectively as the Debtor might do; and

j. in connection with the sale of Collateral provided for herein, execute any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

The Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable until the Secured Obligations are indefeasibly paid in full. The powers conferred on the Secured Party hereunder are solely to protect the Secured Party's interest in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers. The Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Debtor for any act or failure to act hereunder, except for its own gross negligence or willful misconduct. The Secured Party shall only exercise the foregoing power of attorney if an Event of Default shall have occurred and is continuing; provided that any person relying on the authority of the Secured Party under this power of attorney may rely exclusively upon the representation of the Secured Party as to its authority hereunder and with respect to the Secured Party's right to exercise the powers granted above, shall not be under any obligation to determine whether an Event of Default has occurred and is continuing, and may disregard any claim by the Debtor or any person that an Event of Default has not occurred or is not continuing.

SECTION III. REPRESENTATIONS AND WARRANTIES

3:01 Power and Authority

The Debtor has the corporate power and authority to execute and deliver, to perform its obligations under, and to grant the security interest in and lien on all the Collateral pursuant to, this Agreement. The Debtor has taken all necessary corporate action to authorize the execution, delivery and performance of this agreement, and the grant of the security interest in the Collateral pursuant to this agreement.

3.02 Title; No Other Liens

Except for the Liens granted to the Senior Lenders and as otherwise listed on Schedule 3.02, the Debtor owns each item of Collateral free and clear of any and all Liens or claims of others. No security agreement, financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office except as may have been filed in favor of the Secured Party and the Senior Lenders.

3.03 Perfected Security Interest

a. BOCNY, LLC is confirmed to as "Collateral Agent" of the Secured Party as contemplated by the Intercreditor Agreement for the purpose of perfecting the Secured Party's interest in the Collateral with respect to the filings made and described in Section 5 of the Intercreditor Agreement as well as all other filings made with respect to the Collateral. Except for the items of Collateral listed on Schedule 3.03a, the security interests granted herein will constitute a perfected security interest in the

Collateral in favor of the Secured Party enforceable against all creditors of the Debtor except the Senior Lenders.

b. Listed on Schedule 3.03b are all (i) UCC-1 financing statements, and (ii) registrations with the United States Patent and Trademark Office and the United States Copyright Office (“IP Registrations”) which are necessary for the Secured Party to have a perfected security interest in the Collateral.

c. Except for those previously delivered to the Senior Lenders, all Instruments, Chattel Paper, securities and other items for which a security interest can be perfected by possession have been delivered by the Debtor to the Secured Party.

3.04 Names

a. The Debtor’s correct corporate name, as registered with appropriate government authority in the Debtor’s state of incorporation is listed on Scheduled 3.04a.

b. During the preceding seven-year period the Debtor has used only the names listed on Schedule 3.04a and no other names or tradenames.

3.05 Chief Executive Office and State of Incorporation

The Debtor’s chief executive office and chief place of business is located at the place listed on Schedule 3.05. Each of Metro, ATPI, Dialogue and MTLIC was incorporated under the laws of the State of New York and currently exists as a New York corporation.

3.06 Location of Books and Records

The books and records of the Debtor including the books and records regarding the Collateral are located at the places listed in Schedule 3.06.

3.07 Location of Tangible Collateral

All Inventory, Equipment and other tangible collateral owned by the Debtor are located at the places listed in Schedule 3.07.

3.08 Accounts

Each Account (a) is genuine and in all respects is what it purports to be, (b) arises out of a completed bona fide sale and delivery of goods or rendition of services by the Debtor in the ordinary course of its business, (c) is for a liquidated amount maturing as stated in the invoice covering such sale or rendition of services, (d) is not the subject of an agreement not to assign or grant a security interest in such Account, and (e) is in compliance with all applicable federal, state and local laws and applicable laws of any relevant foreign jurisdiction.

3.09 Intellectual Property

a. All the Patents, if any, owned or licensed by the Debtor are listed on Schedule 3.09a.

b. All Trademarks, if any, owned or licensed by the Debtor are listed on Schedule 3.09b.

c. All Copyrights, if any, owned or licensed by the Debtor are listed on Schedule 3.09c.

d. Each Patent, Trademark and Copyright owned by the Debtor is (i) valid, subsisting, existing, unexpired, enforceable and has not been abandoned, (ii) not the subject of any licensing or franchise agreement, (iii) not the subject of any holding, decision or judgment by any Governmental authority which would limit, cancel or question its validity, (iv) not the subject of any action or proceeding (A) seeking to limit, cancel or question its validity, or (B) which, if adversely determined, would have a material adverse effect on its value, (v) not subject to any existing infringing uses, and (vi) does not infringe upon the rights of any person.

3.10 Investment Property

All of the Investment Property owned by the Debtor is listed on Schedule 3.10. In the case of any Investment Property which is evidenced by an instrument, Debtor has delivered such instrument endorsed to the order of the Secured Party. In the case of any Investment Property which is an uncertificated security, security entitlement, securities account, commodity contract, or a commodity account, the Debtor has delivered a control agreement with respect to such asset.

3.11 Commercial Tort Claims

All of the Commercial Tort Claims in which the Debtor has any interest are listed on Schedule 3.11.

3.12 Deposit Accounts

All of Debtor's Deposit Accounts are listed on Schedule 3.12.

SECTION IV. COVENANTS

4.01 Further Documentation; Financing Statements

At any time and from time to time, upon the written request of the Secured Party, and at the sole expense of the Debtor, the Debtor will promptly and duly execute and deliver such further instruments and documents and take such further action as the Secured Party may reasonably request for the purpose of obtaining or preserving the full benefits of this agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the law of any jurisdiction with respect to the Liens created hereby. The Debtor hereby authorizes the Secured Party to file any such financing or continuation statement without the signature of the Debtor to the extent permitted by applicable law. The Debtor authorizes the Secured Party to execute and file, in the name of the Debtor or otherwise, UCC-1 financing statements which the Secured Party in its sole discretion may deem necessary or appropriate to further perfect its security interest including, but not limited to, financing statements which describe the Collateral as "all assets" or "all personal property" of the Debtor. The Debtor agrees and authorizes that a carbon, photographic or other reproduction of this agreement may be used as a financing statement for filing in any jurisdiction.

4.02 Possessory Pledge of Instruments and Chattel Paper

If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any instrument or Chattel Paper, and unless then in the possession of, or in the process of being delivered to, the Senior Lenders, such instrument or Chattel Paper shall be immediately delivered to the Secured Party, duly endorsed in a manner satisfactory to the Secured Party, to be held as Collateral pursuant to this agreement.

4.03 Maintenance

The Debtor will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral, including, without limitation, a records of all payments received and all credits granted with respect to the Accounts. The Debtor will mark its books and records pertaining to the Collateral to evidence this agreement and the security interests granted hereby. The Debtor will maintain each item of Equipment in good operating condition, ordinary wear and tear excepted, and will provide all maintenance, service and repairs necessary for such purpose.

4.04 Right of Inspection and Verification

The Secured Party shall at all times have full and free access during normal business hours to all the books, correspondence and records of the Debtor, and its representatives may examine the same, take extracts therefrom and make photocopies thereof, and the Debtor agrees to render to the Secured Party such clerical and other assistance as may be reasonably requested with regard thereto, all at the Debtor's cost and expense. The Secured Party and its representative shall also have the right to enter into and upon any premises where any of the Collateral is located for the purpose of inspecting the same, observing its use or otherwise protecting its interest therein. The Secured Party shall have the right to verify the validity, amount or any other matter relating to any Collateral, including Accounts, by contacting the account debtor or other party by mail, telephone or otherwise; provided, however, that if no Event of Default shall have occurred and is continuing the Secured Party shall exercise that right only after consulting with the Debtor to establish a procedure which is not disruptive to the Debtor's relationship with such account debtors, but is otherwise customary for lenders financing accounts receivable. The Debtor shall cooperate fully with the Secured Party to facilitate any such verification process.

4.05 Compliance with Laws, etc.

The Debtor will comply in all material respects with all Requirements of Law applicable to the Collateral or any part thereof or to the operation of the Debtor's business.

4.06 Payment of Obligations

The Debtor will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of its income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if (a) the validity thereof is being contested in good faith by appropriate proceedings, (b) such proceedings do not involve any material danger of the sale, forfeiture or loss of any of the Collateral or any interest therein, and (c) such charge is adequately reserved against on the Debtor's books in accordance with GAAP.

4.07 Limitation on Liens

The Debtor will not create, incur or permit to exist, will defend the Collateral against, and will take such other action as is necessary to remove, any Lien or claim on or to the Collateral other than the Lien granted to the Senior Lenders or to the Secured Party herein and any "Permitted Lien" as defined under the Purchase Agreement, and will defend the right, title and interest of the Secured Party in and to any of the Collateral against the claims and demands of all persons other than the Senior Lenders.

4.08 Limitations on Disposition of Collateral

The Debtor will not sell, transfer, lease or otherwise dispose of any of the Collateral, without the prior written consent of the Secured Party except for (a) collection of Accounts in the ordinary course of business, (b) sales of Inventory in the ordinary course of business, or (c) sale of Equipment which is obsolete and/or not of material value.

4.09 Limitations on Modifications to Accounts

The Debtor will not (a) amend, modify, terminate or waive any provision of any agreement giving rise to an Account in any manner which could reasonably be expected to materially adversely affect the value of the Collateral as a whole, (b) fail to exercise promptly and diligently material rights giving rise to Accounts (other than any right of termination), or (c) fail to deliver to the Secured Party a copy of each material demand, notice or document received by it relating in any way to any agreement giving rise to an Account.

4.10 Limitations on Discounts, Compromises, Extensions of Accounts

Other than in the ordinary course of business, the Debtor will not grant any extension of time of payment of any of the Accounts, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partially, any person liable for the payment thereof, or allow any credit or discount whatsoever thereon.

4.11 Insurance

a. The Debtor will maintain, with financially sound and reputable companies insurance policies (i) insuring any tangible Collateral against loss by fire, explosion, theft and such other casualties as are usually insured against in the same general area by companies engaged in the same or similar business, and (ii) insuring the Debtor and the Secured Party against liability for personal injury and property damage relating to the Collateral.

b. All such policies of insurance shall (i) name the Secured Party as the loss payee subject to the prior rights of the Senior Lenders, (ii) provide that the right of the Secured Party to recover for any insured loss shall not be invalidated by an act or neglect of the Debtor or other person, (iii) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Secured Party of written notice thereof, and (iv) name the Secured Party as an insured party.

c. Subject to the prior rights, if any, of the Senior Lenders: (i) the Debtor hereby authorizes and directs payment directly and solely to the Secured Party of any proceeds of any such policy of insurance; (ii) the

Secured Party is hereby authorized to adjust and compromise any loss under any such policies and to collect and receive all such proceeds; (iii) the Secured Party is hereby authorized to execute and endorse in the Debtor's name all proofs of loss, drafts, checks and other documents necessary to accomplish such collection and any person making payment to the Secured Party is hereby relieved from obligation to see to the application of the sums so paid.

d. After deduction from any proceeds of any such insurance of all costs and expenses incurred by the Secured Party in collection and handling of such proceeds the net proceeds may be applied, at the Secured Party's option, either toward replacing or restoring the Collateral or as a credit against the Secured Obligations, whether matured or unmatured. To the extent that the Senior Lenders permits the application of insurance proceeds to replacing or restoring the Collateral, the Secured Party shall also permit such application.

4.12 Further Identification of Collateral

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

4.13 Notices

The Debtor will advise the Secured Party promptly, in reasonable detail (a) of any Lien (other than Liens created hereby and any other Liens permitted to exist on the Collateral under the Purchase Agreement including any Lien granted to the Senior Lenders) on, or claim asserted against, any of the Collateral except for Liens permitted under the Purchase Agreement; and (b) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereunder.

4.14 Changes in Locations, Name, etc.

The Debtor will not (a) change the location of its chief executive office/chief place of business from that specified in this agreement or remove its books and records from the location specified in this agreement, (b) permit any of the Inventory to be kept at a location other than those listed in this agreement, or (c) change its name, identity or corporate structure to such an extent that any financing statement filed by the Secured Party in connection with this agreement would become seriously misleading, unless it shall have given the Secured Party at least 30 days written notice thereof.

4.15 Intellectual Property

a. Whenever the Debtor or any agent shall file an application for the registration of any Patent, Trademark or Copyright with any office or agency in any country or any political subdivision thereof, the Debtor shall report such filing to the Secured Party within 5 Business days after such filing occurs. Upon request of the Secured Party, the Debtor shall execute and deliver any and all agreements, instruments, documents, and papers as the Secured Party may request to evidence the Secured Party's Security Interests in any Patent, Trademark or Copyright and any goodwill and general intangibles of the Debtor relating thereto or represented thereby. The agreements evidencing the Secured Party's Security Interest in such Patents, Trademark or Copyrights will contain terms satisfactory to the Secured Party.

b. The Debtor shall, consistent with its past practices, take whatever action is necessary to protect its rights in any Patents, Trademarks or Copyrights. The Debtor (either itself or through licensees) will not allow any third party to infringe on any of its Patents, Trademarks or Copyrights. In the event that any Patent, Trademark or Copyright is infringed by a third party, the Debtor shall promptly notify the Secured Party after it learns thereof and shall, unless the Debtor shall reasonably determine that (i) such Patent, Trademark or Copyright is of negligible economic value to the Debtor, or (ii) the cost of taking action to enforce Debtor's rights with respect thereto exceed the value of taking such action, which determinations the Debtor shall promptly report to the Secured Party promptly sue for infringement to seek injunctive relief where appropriate and to recover any and all damages for such infringement or take such other actions as the Debtor shall reasonably deem appropriate under the circumstances.

4.16 Investment Property

If the Debtor hereafter acquires any Investment Property, the Debtor shall notify the Secured Party and (i) in the case of any such property which is evidenced by an instrument, deliver such instrument endorsed to the order of the Secured Party, or (ii) in the case of any such property which is an uncertificated security, security entitlement, securities account, commodity contract, or a commodity account deliver to the Secured Party a control agreement acceptable to the Secured Party sufficient to perfect the Secured Party's security interest in such asset.

4.17 Commercial Tort Claims

The Debtor shall notify the Secured Party of any Commercial Tort Claim that may arise from time to time and execute documents, including a supplementary security agreement and additional financing statements as the Secured Party may reasonably request so that the Secured Party is at all times the holder of a perfected security interest in such claims.

4.18 Deposit Accounts

The Debtor will cooperate with the Secured Party in obtaining control agreements satisfactory to the Secured Party with respect to any Deposit Accounts.

SECTION V. EVENT OF DEFAULT AND REMEDIES

5.01 Events of Default

Each of the following shall constitute a default (each, an "Event of Default") hereunder:

a. Non-payment when due of any sum required to be paid to the Secured Party by the Debtor with respect to any Secured Obligation subject to any applicable period for grace or cure;

b. A breach of any term, covenant, condition, obligation or agreement contained in this agreement that is not remedied within 30 days of the date of such breach.

c. Any representation or warranty made by the Debtor in this agreement shall prove to be false, incorrect or misleading in any material respect as of the date when made; or

d. An "Event of Default" under any of the documents evidencing the Secured Obligations shall occur and not be cured within any applicable period of grace or cure.

5.02 General

If an Event of Default shall occur, the Secured Party may exercise, in addition to all other rights and remedies granted in this agreement and in any other instrument or agreement securing, evidencing or relating to the obligations of the Debtor, all rights and remedies of a secured party under the UCC.

5.03 With respect to Accounts and General Intangibles

Upon the occurrence and during the continuance of an Event of Default and subject to the prior rights, if any, of the Senior Lenders:

a. if the Secured Party shall so request, the Debtor shall forthwith do one or more of the following: (i) legend, in form and manner acceptable to the Secured Party, its books, records and documents evidencing or pertaining to its Accounts and General Intangibles with an appropriate reference to the fact that such Collateral has been assigned to

the Secured Party and that the Secured Party has a security interest therein and notify any person with an obligation with respect to such Collateral of the Secured Party's security interest therein, (ii) account for and transmit to the Secured Party, in the same form as received, all proceeds of collection of such Collateral received by the Debtor and, until so transmitted, hold the same in trust for the Secured Party and not commingle such proceeds with any other of its funds, (iii) deliver, at its own expense, any or all books, records or other documents relating to such Collateral to the Secured Party at a place designated by the Secured Party, and (iv) notify the obligors on such Collateral that the Accounts and General Intangibles of the Debtor have been assigned to the Secured Party and that payments in respect thereof shall be made directly to the Secured Party.

b. the Secured Party, without notice to, or assent by, the Debtor and in the name of the Debtor or its own name, or otherwise, may (but need not) (i) notify the obligors of any of the Debtor's Accounts or General Intangibles to make payments thereon directly to the Secured Party; (ii) ask for, demand, collect, receive, compound and give acquaintance for such Collateral or any part thereof; (iii) extend the time of payment for such Collateral or compromise or settle any such Collateral for cash, credit or otherwise, and upon any terms and conditions; (iv) endorse the name of the Debtor on any check, draft or other order or instrument for the payment of monies payable to the Debtor which has been issued in respect of such Collateral; (v) file any claims and commence, maintain or discontinue any action, suits or other proceedings deemed by the Secured Party necessary or advisable for the purpose of collecting or enforcing payment of any such Collateral; (vi) at the Secured Party's sole discretion make test verifications of such Collateral or any portion thereof; (vii) execute any instrument and do any and all other things necessary and proper to protect and preserve and realize upon such Collateral and other rights contemplated hereby; and (viii) without obligation to resort to other security, at any time and from time to time, sell, re-sell, assign and deliver all or any of such Collateral, in one or more parcels at the same or different times, and all right, title and interest, claim and demand therein and any right of redemption thereof, at public or private sale, for cash, upon credit or for future delivery and at such price or prices and on such terms as the Secured Party may determine in a commercially reasonable manner, with the proceeds thereof to be applied in the manner provided herein.

The Debtor hereby agrees that the Secured Party may exercise the rights and remedies provided herein and that the exercise of such rights and remedies by the Secured Party, including, without limitation, the sale of Accounts or General Intangibles, may be accomplished without demand, advertisement or notice (except as required by law) all of which (to the extent permitted by law) are hereby expressly waived. If any

notice of a proposed sale or other disposition of such Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition. The Secured Party shall not be obligated to make any sale regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Secured Party shall not be obligated to take any action authorized by this section, but in the event that the Secured Party elects to take any such action, it shall not be responsible to the Debtor except for its gross negligence or willful misconduct.

5.04 As to Inventory and Equipment

Upon the occurrence and during the continuance of an Event of Default and subject to the prior rights, if any, of the Senior Lenders:

a. upon notice to such effect, the Debtor shall deliver, at Debtor's own expense, any or all Inventory and Equipment to the Secured Party at a place designated by the Secured Party;

b. take possession of any or all Inventory and Equipment and, for that purpose, enter, with the aid and assistance of any person or persons, any premises where the Collateral, or any part thereof, is, or may be, placed or assembled, and remove the same;

c. execute any instrument and do all other things necessary and proper to protect and preserve and realize upon such Collateral and other rights contemplated hereby; and

d. without obligation to resort to other security, at any time and from time to time, sell, assign and deliver at the same or different times, all right, title, interest or claim of the Debtor in such Collateral, and any right of redemption thereof, at public or private sale, in one or more parcels, for cash, upon credit or for future delivery, and at such price or prices and on such terms as the Secured Party may determine in a commercially reasonable manner.

The Debtor hereby agrees that the exercise by the Secured Party of the rights and remedies under this section, including, without limitation, sale of Inventory or Equipment may be accomplished without demand, advertisement or notice (except as required by law), all of which (to the extent permitted by law) are hereby expressly waived. If any notice of a proposed sale or other disposition shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition. The Secured Party shall not be obligated to make any sale regardless of notice of sale having been given. The Secured Party may adjourn any public or private

sale from time to time by announcement at the time and place fixed therefore, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Secured Party may offer any Inventory or Equipment for sale in its then present condition and has no duty to repair or clean the Collateral prior to sale and the failure to make such repairs or clean the Collateral shall not effect the commercial reasonableness of the sale. The Secured Party may disclaim all warranties including warranties of title, possession, quiet enjoyment, merchantability, fitness for a particular and any such disclaimer shall not effect the commercial reasonableness of the sale. The Secured Party shall not be obligated to take any of the action authorized by this section, but in the event that the Secured Party elects to take any such action, it shall not be responsible to the Debtor except for its gross negligence or willful misconduct.

5.05 As to Instruments, Chattel Paper and Investment Property

Upon the occurrence and during the continuance of an Event of Default and subject to the prior rights, if any, of the Senior Lenders:

a. if the Secured Party shall so request, the Debtor shall forthwith do one or more of the following: (I) legend, in form and manner acceptable to the Secured Party, the Debtor's books, records and documents evidencing or pertaining to any Instruments, Chattel Paper or Investment Property with an appropriate reference to the fact that such assets have been assigned to the Secured Party and that the Secured Party has a security interest therein and notify any person with an obligation with respect to such Collateral of the Secured Party's security interest therein, (ii) account for and transmit to the Secured Party, in the same form as received, all proceeds of collection of such Collateral received by it and, until so transmitted, to hold the same in trust for the Secured Party and not commingle such proceeds with any other of its funds, (iii) deliver, at its own expense, any or all books, records or other documents relating to such Collateral to the Secured Party at a place designated by the Secured Party, and (iv) notify the obligors on such Collateral that such assets have been assigned to the Secured Party and that payments in respect thereof shall be made directly to the Secured Party.

b. the Secured Party, without notice to, or assent by, the Debtor and in the name of the Debtor or its name, or otherwise, may (but need not) (I) notify the obligors of any of the Debtor's Instruments, Chattel Paper or Investment Property to make payments thereon directly to the Secured Party; (ii) ask for, demand, collect, receive, compound and give acceptance for the such Collateral or any part thereof; (iii) extend the time of payment for such Collateral or compromise or settle any such Collateral for cash, credit or otherwise, and upon any terms and conditions; (iv) endorse the name of the Debtor on any check, draft or other order or instrument for the payment of moneys payable to the Debtor which has been issued in respect of such Collateral; (v) file any claims and commence, maintain or discontinue any action, suites or other proceedings

deemed by the Secured Party necessary or advisable for the purpose of collecting or enforcing payment of any such Collateral; (vi) at the Secured Party's sole discretion make test verifications of such Collateral or any portion thereof; (vii) execute any instrument and do any and all other things necessary and proper to protect and preserve and realize upon such Collateral and other rights contemplated hereby; and (viii) without obligation to resort to other security, at any time and from time to time, sell, re-sell, assign and deliver all or any such Collateral, in one or more parcels at the same or different times, and all right, title and interest, claim and demand therein and any right of redemption thereof, at public or private sale, for cash, upon credit or for future delivery and at such price or prices and on such terms as the Secured Party may determine, with the proceeds thereof to be applied in the manner provided herein.

The Debtor hereby agrees that the Secured Party may sell such Collateral or any part thereof at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery, and at such price or prices as the Secured Party may deem satisfactory in a commercially reasonable manner. The Secured Party may be the purchaser of any or all of the Collateral so sold at any public sale. The Debtor covenants and agrees that it will execute and deliver such documents and take such other action as the Secured Party deems necessary or advisable in order that any such sale may be made in compliance with law. Upon any such sale the Secured Party shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold absolutely and free from any claim or right of whatsoever kind, including any equity or right of redemption of the Debtor which may be waived, and the Debtor, to the extent permitted by law, hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The Debtor further acknowledges that the Secured Party may deem it impracticable to effect a public sale of any part of the securities included in the Collateral, and therefore authorizes the Secured Party in connection with any such private sale, if the Secured Party deems it advisable to do so, (I) restrict the prospective bidders on or purchasers of any of the Collateral to a limited number of sophisticated investors who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or sale of any of such securities, (ii) to cause to be placed on certificates for any or all of the Collateral or on any other securities pledged hereunder a legend to the effect that such security has not been registered under the Securities Act of 1933 and may not be disposed of in violation of the provision of said Act, and (iii) to impose such other limitations or conditions in connection with any such sale as the Secured Party deems necessary or advisable in order to comply with said Act or any other law. The notice (if any) of such sale shall (1) in case of a public sale, state the time and place fixed for such sale, (2) in case of sale at a broker's board or on a securities exchange, state the board or exchange at which such sale is to be made and the day on which the Collateral, or the portion thereof so being sold, will first be offered for sale at such board or exchange, and (3) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Secured Party may fix in the notice of such sale. At any such sale,

the Collateral may be sold in one lot as an entirety or in separate parcels, as the Secured Party may determine. The Secured Party shall not be obligated to make any such sale pursuant to any such notice but in the event that the Secured Party elects to take any such action, it shall not be liable to the Debtor except for its gross negligence or willful misconduct. The Secured Party may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Secured Party until the selling price is paid by the purchaser thereof, but the Secured Party shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may again be sold upon like notice.

5.06 Application of Proceeds; Deficiency

a. Subject to the prior rights of the Senior Lenders, the Secured Party shall apply the net proceeds of any such collection, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Party hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, and only after such application and after the payment by the Secured Party of any other amount required by any provision of law, need the Secured Party account for the surplus, if any, to the Debtor.

b. The Debtor shall remain liable for any deficiency if the proceeds of the sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the reasonable fees and disbursements of any attorneys employed by the Secured Party to collect such deficiency.

SECTION VI. MISCELLANEOUS

6.01 Limitations on Rights and Obligations

Notwithstanding any of the terms of this agreement to the contrary, each of the rights of the Secured Party and the obligations of the Debtor are subject to the term and conditions of the Intercreditor Agreement.

6.02 Amendments and Waivers

The Debtor and the Secured Party may, from time to time, enter into written waivers, amendments, supplements or modifications hereto for the purpose of adding any provision to this agreement or enter into written instruments waiving any of the requirements of this agreement or any Event of Default and its consequences. In the case of any waiver, the Debtor shall be restored to its former positions and rights hereunder and any Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

6.03 Notices

Unless this agreement specifically provides otherwise, all notices and communications under this agreement shall be provided in accordance with the provisions of the Purchase Agreement.

6.04 No Waiver; Cumulative Remedies

No failure to exercise or delay in exercising, on the part of the Secured Party, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided to the Secured Party are cumulative and not exclusive of any rights, remedies, powers and privileges provided to the Secured Party by law. In accordance with this section, the Secured Party may exercise its rights, remedies, powers or privileges hereunder in any order it deems appropriate.

6.05 Indemnification

The Debtor agrees to pay, and to hold the Secured Party harmless from, any and all liabilities, costs and expenses (including, without limitation, reasonable legal fees and expenses) (a) with respect to, or resulting from, any delay in paying, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (b) with respect to, or resulting from, any delay in complying with any Requirement of Law applicable to any of the Collateral, or (c) in connection with any of the transactions contemplated by this proceeding or action brought by the Secured Party under any Account for any sum owing thereunder, or to enforce any provisions of any Account, the Debtor will save, indemnify and keep the Secured Party harmless from and against all expense, loss or damage suffered by reason of any defense, set-off, counterclaim, recoupment or reduction or liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by the Debtor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors except for the Secured Party's gross negligence or willful misconduct.

6.06 Governing Law

This agreement shall be governed by, and construed and interpreted in accordance with the law of the State of New York.

6.07 Section Headings

The section headings herein are intended for convenience only and shall be ignored in construing this agreement.

6.08 Entire Agreement

All understandings and agreements heretofore made or exchanged between the Debtor and the Secured Party with respect to the subject matter hereof are merged into this agreement, which fully, completely, and integrally expresses the understanding of the Debtor and the Secured Party concerning the subject matter thereof.

6.09 Severability

If any provision hereof is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intentions of the parties hereto as nearly as may be possible; and (b) the invalidity of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

6.10 WAIVER OF TRIAL BY JURY

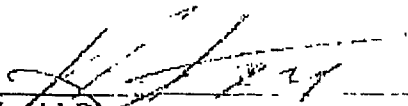
THE DEBTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATED TO THIS AGREEMENT.

[SIGNATURES ON THE NEXT PAGE]

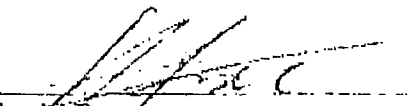
[COUNTERPART SIGNATURE PAGE TO SECURITY AGREEMENT]

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

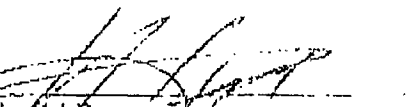
METROPOLITAN T.L.C. HOLDINGS, INC.

By: 
Reginald Powe
President

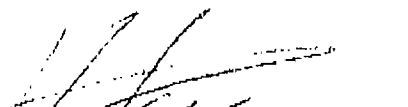
AMERICAN TEACHER PUBLICATIONS INC.

By: 
Reginald Powe
President

DIALOGUE SYSTEMS, INC.

By: 
Reginald Powe
President

METROPOLITAN TEACHING & LEARNING
CO., INC.

By: 
Reginald Powe
President

DISCLOSURE SCHEDULES

to
the Security Agreement,
dated April 30, 2003,
among

Metropolitan T.L.C. Holdings, Inc. ("Metro"), American Teacher Publications Inc. ("ATPI"), Dialogue Systems, Inc. ("Dialogue") and Metropolitan Teaching & Learning Co., Inc. ("MTLC") and MESBIC Ventures, Inc. ("MESBIC"), Alliance Enterprise Corporation ("AEC") and Reginald Powe ("Powe").

Attached hereto are the Schedules to the above-referenced Security Agreement (the "Agreement"). Information in these Schedules is as of April 30, 2003 unless otherwise stated. Terms used as defined terms herein and not otherwise defined shall have the meaning provided in the Agreement. Section references are to the Agreement.

Title; No Other Liens

Metro, ATPI, Dialogue and MTLC have granted a second security interest in the Collateral.

Metro, ATPI, Dialogue and MTLC have granted a third security interest, anticipated to be a fourth security interest at closing, in the Collateral.

Schedule 3.03a

Items of Collateral in which Lien is not perfected

None.

Copyrights and Copyright Licenses

(i) UCC Financing Statement No. 113868 filed June 12, 2001, with the New York Department of State, UCC Financing Statement 01PN29031 filed June 14, 2001 with the Clerk of New York County, New York, UCC Financing Statement No. 67-2001 006586 filed June 12, 2001, with the Clerk of Gwinnett County, Georgia, UCC Financing Statement 0116560255 filed June 12, 2001, with the California Secretary of State, UCC Financing Statement No. 2047750 filed June 11, 2001, with the New Jersey Department of Treasury, UCC Financing Statement No. 113873 filed June 12, 2001, with the New York Department of State, UCC Financing Statement No. 01PN29030 filed June 14, 2001 with the Clerk of New York County, New York, UCC Financing Statement No. 67-2001 006587 filed June 12, 2001, with the Clerk of Gwinnett County, Georgia, UCC Financing Statement No. 0116560248 filed June 12, 2001, with the California Secretary of State, UCC Financing Statement No. 2047752 filed June 11, 2001, with the New Jersey Department of Treasury, UCC Financing Statement No. 113877 filed June 12, 2001, with the New York Department of State, UCC Financing Statement No. 01PN29028 filed June 14, 2001, with the Clerk of New York County, New York, UCC Financing Statement No. 67-2001 006588 filed June 12, 2001, with the Clerk of Gwinnett County, Georgia, UCC Financing Statement No. 0116560246 filed June 12, 2001, with the California Secretary of State, UCC Financing Statement No. 2047754 filed June 11, 2001, with the New Jersey Department of Treasury, UCC Financing Statement No. 113883 filed June 12, 2001, with the New York Department of State, UCC Financing Statement No. 01PN29029 filed June 14, 2001, with the Clerk of New York County, New York, UCC Financing Statement No. 67-2001 006589 filed June 12, 2001, with the Clerk of Gwinnett County, Georgia, UCC Financing Statement No. 0116560265 filed June 12, 2001, with the California Secretary of State and UCC Financing Statement No. 2047755 filed June 11, 2001, with the New Jersey Department of Treasury, all in the name of BOCNY, LLC, as agent,

(ii) UCC-1 financing statements needed for perfection

(i) New York Secretary of State

New York Count Clerk, New York

Clerk of Gwinnett County, Georgia

New Jersey Department of Treasury

(ii) United States Patent and Trademark Office

United States Copyright Office

Schedule 3.04a

Debtor's Correct Name

Metropolitan T.L.C. Holdings, Inc.

Metropolitan Teaching and Learning Co., Inc.

Dialogue Systems, Inc.

American Teacher Publications, Inc.

Schedule 3.05

Debtor's Chief Executive Office

33 Irving Place, 11th Floor
New York, NY 10003

Location of Debtor's Books and Records

33 Irving Place, 11th Floor
New York, NY 10003

Guarantee Records Storage
215 Coles Street
Jersey City, NJ 07310
(201) 798-7100

DDS Distribution Services, LTD.
6600 Best Friend Road
Norcross, GA 30071

Schedule 3.07

Locations of Tangible Collateral

33 Irving Place, 11th Floor
New York, NY 10003

DDS Distribution Services, LTD.
6600 Best Friend Road
Norcross, GA 30071

Schedule 3.09a

Patents and Patent Licenses

None

Trademarks and Trademark Licenses

The only trademark owned by Metropolitan Teaching & Learning Co., Inc. is in its logo, "Metro/ Metropolitan Teaching & Learning Company", serial number 75561208.

Metropolitan Teaching and Learning Co., Inc. has the following trademark applications currently pending:

- (a). "Problem Solving Step By Step:", serial number 76/486353;
- (b). "Fast Forward";
- (c). "Metro Math";
- (d). "Metro Nonfiction Bookbag"; and
- (e). "Metro Reading Program".

Metropolitan Teaching & Learning Co., Inc. has not granted any licenses to use these trademarks to any other company. Metropolitan Teaching & Learning Co., Inc. has not licensed the use of any trademarks from any other company.

Copyrights

Metro Early Reading Program

1. Get Down From That Vine- TX5-193-703
2. The Sitter- TX5-193-697
3. The Best Pizza Place- TX5-193-698
4. Sidewalk Fun- TX5-193-699
5. The Pet Show- TX5-193-700
6. Good Times at the Lake- TX5-193-701
7. Do You Like Me?- TX5-193-676
8. Is Boo With You?- TX5-193-677
9. Can We Have Some?- TX5-193-678
10. When Will the Sun Come Out? TX5-193-679
11. Side By Side- TX5-193-680
12. Game Day- TX5-193-681
13. A Bag For Dad- TX5-193-682
14. Down, Mop. Down!- TX5-193-683
15. Is Tasha Up?- TX5-193-684
16. Slide and Ride-TX5-191-667
17. A Pet for Jed- TX5-191-668
18. Glide, Frog. Glide!- TX5-191-669
19. A Tadpole at the Lake- TX5-191-670
20. Did You See Boo?- TX5-191-671
21. What Was That?- TX5-191-672
22. Three Pigs and a Wolf- TX5-193-673
23. A Day With Mom- TX5-193-674
24. Just a Little- TX5-193-675
25. The Surprise Birthday- TX5-191-657
26. Make My Day- TX5-191-658
27. Rows and Rows of Marigolds- TX5-193-757
28. I Don't Want to Scare You- TX5-193-758
29. I Am Ben- TX5-193-759
30. No Not Again!- TX5-193-732
31. At the Zoo- TX5-193-733
32. A Hug and Hot Chocolate- TX5-193-734
33. Get Rid of That Dog- TX5-193-721
34. A Very Bad Day- TX5-193-720
35. What Can Sam Do?- TX5-193-719
36. Have You Met My Pet?- TX5-193-718
37. A Bug in the Bathtub- TX5-193-717
38. In and Out of the Toy Box- TX5-193-754
39. The Dog Ate My Homework Pad TX5-437-171

40. The Sidewalk Toy Stand TX5-437-170
41. We're Good at Chores TX5-437-169
42. Better Than You Think TX5-437-168
43. This Place Could Shine TX5-437-186
44. Make The Best Of It TX5-437-185
45. All About Dinosaurs TX5-437-158
46. One Little Tooth TX5-437-159
47. Lost and Found TX5-437-160
48. Marta Stays Over TX5-437-161
49. The Spring Block Party TX5-437-162
50. Splish, Splash TX5-437-183
51. How To Take Pictures TX5-437-167
52. Put Out The Fire! TX5-437-184
53. The Best Book Talk TX5-437-182
54. A House For Patches TX5-437-163
55. A Party For Patches TX5-437-164
56. The Soccer Team TX5-437-165
57. A Trip To The Circus TX5-437-181
58. What Do You Know? TX5-437-176
59. Pen Pals TX5-437-166
60. The Horse Show TX5-446-586
61. The Lean, Mean Pizza Machine TX5-437-175
62. The School Band TX5-437-177
63. The Newspaper TX5-437-178
64. A New Sister Baby TX5-437-174
65. The Treasure in The Attic TX5-437-173
66. Can You Keep A Secret? TX5-437-172
67. Happiness Is Having Friends TX5-437-179
68. We'll Always Be Friends TX5-437-180
69. My Letter Book TX5-461-401
70. My Literature Book Anthology, Level A, Hardcover TX-5-572-241
71. My Literature Book Anthology, Level B, Hardcover TX-5-575-240
72. My Literature Book Anthology, Level C, Hardcover TX-5-575-243
73. My Literature Book Anthology, Level D, Hardcover TX-5-572-398
74. My Literature Book Anthology, Level E, Hardcover TX-5-572-397
75. Teachers Edition, Level A, Units 1-5 TX-5-597-085
76. Teachers Edition, Level A, Units 6-10 TX-5-597-646
77. Teachers Edition, Level B, Units 1-5 TX-5-597-643
78. Teachers Edition, Level B, Units 6-10 TX-5-597-647
79. Teachers Edition, Level C, Units 1-5 TX-5-597-648
80. Teachers Edition, Level C, Units 6-10 TX-5-597-639
81. Teachers Edition, Level D, Units 1-5 TX-5-597-641
82. Teachers Edition, Level D, Units 6-10 TX-5-597-645
83. Teachers Edition, Level E, Units 1-5 TX-5-597-640
84. Teachers Edition, Level E, Units 6-10 TX-5-597-644
85. Teachers Edition, Level F, Units 1-5 TX-5-597-642

86. Teachers Edition, Level F, Units 6-10 TX-5-597-084
87. My Practice Book, Level D TX-5-572-242
88. My Practice Book, Level E TX-5-586-695
89. My Practice Book, Level F TX-5-586-699

Problem Solving Step by Step

1. Step 1, PE- TX5-191-654
2. Step 1, TE- TX5-191-650
3. Step 2, PE- TX5-191-646
4. Step 2, TE- TX5-191-648
5. Step 3, PE- TX5-191-655
6. Step 3, TE- TX5-191-656
7. Step 4, PE- TX5-191-645
8. Step 4, TE- TX5-191-647
9. Step 5, PE- TX5- 191-651
10. Step 5, TE- TX5-191-649
11. Step 6, PE- TX5-191-653
12. Step 6, TE- TX5-191-652
13. Step 7, PE TX-5-572-240
14. Step 7, TE TX-5-575-241
15. Step 8, PE TX-5-572-243
16. Step 8, TE TX-5-575-242

Metro Math Readers

1. Cual es la siguiente?- TX5-193-704
2. Que es una mitad? - TX5-193-705
3. El numero once- TX5-193-706
4. El numero diez- TX5-193-707
5. El numero nueve- TX5-193-708
6. El numero ocho- TX5-193-709
7. El numero seite- TX5-193-710
8. El numero seis- TX5-193-711
9. El numero cinco- TX5-193-712
10. El numero cuatro- TX5-193-713
11. El numero tres- TX5-193-714
12. The Number Eleven- TX5-193-702
13. How Many are Missing?- TX5-193-685
14. What is a Half? - TX5-193-686
15. The Number Twelve- TX5-193-687
16. How Many In All?- TX5-193-688
17. Which Belong Together?- TX5-193-689
18. Who Is Missing?- TX5-193-690

19. Which Two Are The Same?- TX5-193-691
20. Which One Is It?- TX5-193-692
21. Circles- TX5-193-693
22. Rectangles- TX5-193-694
23. Triangles- TX5-193-695
24. Triangulos- TX5-193-696
25. Que dos cosas son iguales?- TX5-191-659
26. Cual es? - TX5-191-660
27. Rectangulos- TX5-191-661
28. Circulos- TX5-191-662
29. Cuales van juntos- TX5-191-663
30. Quin falta- TX5-191-664
31. Cuantos hay en total?- TX5-191-665
32. Cuantos faltan?- TX5-191-666
33. El juego de las formas- TX5-193-777
34. Gasto monedas de diez una a una- TX-193-778
35. Veinte, mas o menos- TX5-193-779
36. Celebremos el 100- TX5-193-780
37. Dedos de cinco en cinco- TX5-193-781
38. Una mitad es lo justo- TX5-193-782
39. Pies de dos en dos- TX5-193-783
40. Cual es mas?- TX5-193-784
41. Dentro y fuera de la caja- TX5-193-785
42. Vamos a compartir- TX5-193-786
43. El misterio de las medidas- TX5-193-787
44. El numero impar trece- TX5-193-788
45. Como usamos el dinero-TX5-193-789
46. Cuantos son cincuenta- TX5-193-790
47. How Many is Fifty?- TX5-193-760
48. We Celebrate 100- TX5-193-761
49. Twenty, More or Less- TX5-193-762
50. Spending Dimes , One at a Time- TX5-193-763
51. The Shape Game- TX5-193-764
52. Symmetry- TX5-193-765
53. Money Counts- TX5-193-766
54. Turn to the Left, Turn to the Right- TX5-193-767
55. Counting on Friends- TX5-193-768
56. Puppies In, Puppies Out- TX5-193-769
57. Bears, Ten by Ten- TX5-193-770
58. Ositas, de diez en diez- TX5-193-771
59. Perritos vienen y van- TX5-193-772
60. Contamos con nuestros amigos- TX5-193-773
61. Gira a la izquierda, gira a la deracha- TX5-193-774
62. Contemos las monedas- TX5-193-775
63. La simetria- TX5-193-776
64. Fingers Go Five by Five- TX5-193-749

65. How Do We Use Money- TX5-193-750
66. Odd Number Thirteen- TX5-193-751
67. The Measurement Mysteries- TX5-193-752
68. Let's Share- TX5- 193-753
69. Which One is More?- TX5-193-755
70. You Can Do a Lot With a Lot- TX5-193-756
71. Which One is Next?- TX5-193-735
72. Squares- TX5-193-736
73. The Number One- TX-193-737
74. The Number Two- TX5-193-738
75. The Number Three- TX5-193-739
76. The Number Four- TX5-193-740
77. The Number Five- TX5-193-741
78. The Number Six- TX5-193-742
79. The Number Seven- TX5-193-743
80. The Number Eight- TX5-193-744
81. The Number Nine- TX5-193-745
82. The Number Ten- TX5-193-746
83. Feet Go Two by Two- TX5-193-747
84. Half is Fair- TX5-193-748
85. Tens and Ones Together- TX5-193-728
86. Once There Were Twelve- TX5-193-729
87. Making Twelve Party Bags- TX5-193-730
88. Its About Time- TX5-193-731
89. Decenas y unidadesjuntas- TX5-193-726
90. Antes habia doce- TX5-193-727
91. Hagamos doce bolsitas de fiesta- TX5-193-725
92. Ya es hora- TX5-193-724
93. El numero doce- TX5-193-723
94. Cuadrados- TX5-193-722
95. El numero dos- TX5-193-715
96. El numero Uno- TX5-193-716

Metro Math Bridges

1. Gold Level, Student Edition TX-5-555-718
2. Gold Level, Teacher Edition TX-5-547-229
3. Red Level, Student Edition TX-5-555-715
4. Red Level, Teacher Edition TX-5-547-231
5. Blue Level, Student Edition TX-5-555-716
6. Blue Level, Teacher Edition TX-5-555-717
7. Green Level, Student Edition TX-5-547-231
8. Green Level, Teacher Edition TX-5-555-720

Stories of America series

1. Building a Dream -- 92018069

2. Walking for Freedom – 92018080
3. All for the Better – 92023639
4. Underground Railroad – 92014415
5. Osceola, Patriot and Warrior – 92025209
6. These Lands Are Ours – 92014417
7. They Shall Be Heard – 92018088
8. Days of Courage – 92012806
9. La Causa – 92012806
10. The Tenement Writer – 92014400
11. When Justice Failed – 92018086
12. A Place Called Heartbreak – 92014428

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7. “Little Pine” granted by William Marrow & Co
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13. “A Bug, A Bear and A Boy” granted by Scholastic
14. “The 100th Day of School” granted by Lee & Low Books
15. “Hands Dance” granted by Heartsong Communications & Ed Tossing Music
16. “Bilingual” granted by Children’s Book Press
17. “Good Books, Good Times” granted by HarperCollins

Schedule 3.10

Investment Property

None

Schedule 3.11

Commercial Tort Claims

None

Schedule 3.12

Deposit Accounts

The Chase Manhattan Bank
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Bank ABA: 021-0000-21

Metropolitan Teaching & Learning Co., Inc.
Account # 114922535

Metropolitan T.L.C. Holdings, Inc.
Account # 323241093

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