

**TRADEMARK ASSIGNMENT**

Electronic Version v1.1  
 Stylesheet Version v1.1

<b>SUBMISSION TYPE:</b>	NEW ASSIGNMENT		
<b>NATURE OF CONVEYANCE:</b>	ASSIGNS THE ENTIRE INTEREST AND THE GOODWILL		
<b>CONVEYING PARTY DATA</b>			
<b>Name</b>	<b>Formerly</b>	<b>Execution Date</b>	<b>Entity Type</b>
Callaway & Kirk Company LLC		05/06/2009	LIMITED LIABILITY COMPANY: DELAWARE
<b>RECEIVING PARTY DATA</b>			
<b>Name:</b>	Callaway Arts & Entertainment, Inc.		
<b>Street Address:</b>	19 Fulton Street		
<b>City:</b>	New York		
<b>State/Country:</b>	NEW YORK		
<b>Postal Code:</b>	10038		
<b>Entity Type:</b>	CORPORATION: DELAWARE		
<b>PROPERTY NUMBERS Total: 13</b>			
<b>Property Type</b>	<b>Number</b>	<b>Word Mark</b>	
Registration Number:	3233349	SUNNY PATCH	
Registration Number:	3505365	MISS SPIDER'S SUNNY PATCH FRIENDS	
Registration Number:	3480700	MISS SPIDER'S SUNNY PATCH FRIENDS	
Registration Number:	3418382	MISS SPIDER'S SUNNY PATCH FRIENDS	
Registration Number:	3317966	MISS SPIDER'S SUNNY PATCH FRIENDS BY DAVID KIRK	
Registration Number:	3317949	MISS SPIDER'S SUNNY PATCH FRIENDS BY DAVID KIRK	
Registration Number:	2827727	SUNNY PATCH	
Registration Number:	3549729	SUNNY PATCH	
Registration Number:	3549727	SUNNY PATCH	
Registration Number:	3475921	SUNNY PATCH	
Registration Number:	3190488	MISS SPIDER'S SUNNY PATCH FRIENDS	
Registration Number:	2942632	SUNNY PATCH	
Registration Number:	2892507	SUNNY PATCH	

OP \$340.00 3233349

CORRESPONDENCE DATA

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Signature:	/nicholas callaway/
Date:	06/04/2010

Total Attachments: 11  
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## TERM SHEET

This Term Sheet identifies the principal headings of an arrangement contemplated to be made by Nicholas Callaway ("Callaway") and David Kirk ("Kirk"), individually and in their various capacities as members, shareholders, officers, directors and/or employees or creditors of Callaway & Kirk, LLC ("C&K"), and Callaway Arts & Entertainment, Inc. ("CA&E"), collectively the "Interested Persons".

1. C&K Intellectual Property ("IP"). C&K shall transfer and assign to CA&E all of C&K's right, title and interest in and to the existing Sunny Patch IP assets of C&K consisting essentially of the name "Sunny Patch" and the collection of characters marketed by C&K to Target up to 2009 (the "Sunny Patch Brand"), together with and subject to outstanding licenses of the Sunny Patch Brand and C&K rights and obligations under such licenses; CA&E shall assume such obligations and indemnify C&K against any claims thereunder. All other C&K IP of whatever nature (including but not limited Miss Spider and all named characters contained in the Miss Spider books and/or television series) shall remain the property of C&K.
2. License of Miss Spider Creations. C&K shall grant to CA&E a perpetual, non-exclusive, royalty-free license to use and sublicense Miss Spider creations, for the limited purpose of supporting the Sunny Patch Brand to the extent and for the products licensed or marketed under the Sunny Patch name to the Effective Date;
3. License of Sunny Patch Brand. CA&E shall grant to C&K and Kirk a perpetual, non-exclusive, royalty-free license to use and sublicense the Sunny Patch Brand for the limited purpose of supporting Miss Spider Creations, but such license to extend only to editorial content and in no instance on or in connection with non-editorial products including but not limited to toys.
4. Consideration. In consideration of the assignment to CA&E of the Sunny Patch Brand and for the grant of the royalty-free license of Miss Spider,
  - (a) CA&E shall pay to C&K the sum of \$600,000 ("Base Consideration"), such sum to be paid in 36 monthly installments, each of \$16,666.67, beginning on the effective date of the definitive agreement or agreements that embody the provisions of this Term Sheet ("Effective Date");
  - (b) In the event that CA&E shall at any time assign or license its rights in the Sunny Patch Brand in such a way as to effectively dispose of its rights (a stock sale or merger of CA&E into another entity to be treated as an assignment outright and the value of the Sunny Patch Brand in such a case to be fixed by an appraiser mutually acceptable to Callaway and Kirk) in the Sunny Patch Brand ("SP Disposition") CA&E shall pay to C&K in cash at closing of such SP Disposition (or in the event payments are received over time, within 10 days following the date on which such payments are received by CA&E) a sum equal to ten (10%) percent of the net proceeds received in consideration of the SP Disposition ("Additional Consideration"); and

(c) At any time after the end of the thirty six (36) month period for payment of the Base Consideration, and provided that CA&E shall not have contracted for an SP Disposition, C&K shall have the right to elect to receive in cash, paid out over thirty six (36) months, a sum *in substitution for* all or some fraction of the amount or amounts it would have received in the event of an SP Disposition ("SP Participation"). The amount of any SP Participation shall be determined according to the formula

$$P = (F - C - D) \times E$$

where P is the amount of the SP Participation, F is the fair market value of the Sunny Patch Brand as determined by an appraiser mutually acceptable to Kirk and to Callaway, C is the cost of the appraisal, D is the total of debt shown on the books of CA&E at the date of the C&K election, and E is the percentage of the SP Disposition elected by C&K (up to the maximum 10%). For example, if the fair market value is \$20,000,000, costs of the evaluation are \$50,000, and the debt carried on CAE books is \$4,000,000, then, the Sunny Patch Participation would be \$1,595,000:  $(20,000,000 - \$50,000 = \$19,950,000 - \$4,000,000,000 = \$15,950,000 \times 10\% = \$1,595,000)$ . If in the above example, C&K had elected to receive only one fifth of the full Sunny Patch Participation, the advance payout would have been \$319,000 over the 36 months and C&K would still have an 8% participation in the net proceeds of a SP Disposition.

(d) In the event that Callaway and John Lee should cease to own a controlling interest in CA&E (taken together) at any time prior to payment in full to C&K of the balance of the Base Consideration, CA&E grants to and there shall spring up in favor of C&K a first lien security interest in and over the Sunny Patch Brand and the Miss Spider license, to be perfected by the filing of UCC-1s, such liens, if any, to terminate upon the receipt by C&K of the entire sum constituting the Base Consideration.

5. Line of Credit. For the thirty six (36) month period commencing as of the Effective Date, CAE will provide a line of credit to C&K in an amount reasonably sufficient to provide for (i) Kirk's medical and dental benefits and use of a C&K company car (upon expiration of the present auto lease the vehicle to be purchased outright by C&K and title conveyed to Kirk) and (ii) Kirk's R&D expenses and creative support services expenses.

6. Development Planning, Costs.

(a) All future overhead or development costs related to the Sunny Patch Brand shall be at the cost or expense of and shall be assumed by CAE.

(b) The Interested Persons recognize that planning sessions are needed as soon as possible in order to reach an agreed-upon R&D budget on a project-by-project basis. The R&D budgets will be for direct out-of-pocket and project specific labor costs required to prepare specific David Kirk property concepts for presentation and sale to potential licensees, retailers, investors and / or co-production partners.

7. C&K/CA&E Licensing Agreement. CA&E and C&K shall enter into a licensing agreement, the principal features of which shall be

(a) CA&E shall be the exclusive licensing agent and representative of C&K for a period of three years;

(b) CA&E shall have a period of 24 months following the Effective Date within which to review, exploit and market existing properties created by Kirk and presented to CA&E by C&K; a list of such existing properties which have previously been presented to CA&E by Kirk is attached as Schedule A. Kirk warrants and represents to C&K (i) that he has diligently searched his memory, his hard drives and paper records for properties to which he has previously devoted any significant effort or which were previously presented by him to C&K, and that the list of properties included on Schedule A is complete, and (ii) that in the event Kirk should subsequently discover any such properties not included on Schedule A, he shall promptly disclose such and amend Schedule A accordingly, in which case the 24-month period referred to in the first sentence of this sub-section (b) shall begin to run from the date on which Kirk amends Schedule A. C&K represents and warrants to Kirk that it has diligently searched its hard drives, paper records and the memories of its personnel for properties previously presented by Kirk to C&K, and the list of properties included on Schedule A is complete and it is unaware of any other property that should be included on said schedule to make it complete and accurate.

(c) CA&E shall have a period of 24 months following the date on which Kirk presents to CA&E any new properties within which to review, exploit and market such new properties.

(d) If CA&E elects to exploit a Kirk-created property presented to it by C&K, CAE shall retain out of any sums received from the licensing or other exploitation of such properties a representation fee equal to forty (40%) of the sums received ("Fee"), such Fee to pay any Licensing Representative fees (typically 25% to 35% of royalties), and the balance of the fee to cover all overhead, development and production expenses, and profit of CA&E. Such Fee shall be due to CA&E on any sum received by it by way of royalties on a license or other exploitation of a C&K property pursuant to the Licensing Agreement regardless of when such royalties may have been received.

(e) If within 24 months following the Effective Date CA&E cannot or does not provide adequate development and production services to C&K, C&K will explore alternatives on a good faith, case by case basis.

8. Kirk Employment Agreement. Kirk's Employment Agreement with C&K dated December 6, 1995, as amended by an Amendment to Employment Agreement dated December 5, 2005, shall terminate with effect upon the Effective Date.
9. Kirk Commitment. The Interested Persons understand and agrees that it is their mutual intention that for a period of 36 months following the Effective Date Kirk will devote essentially his full time to C&K property development objectives and other deliverables in connection with Sunny Patch to be established jointly with CA&E management. When Kirk is engaged to perform services on behalf of CA&E, he will be compensated by CA&E as an independent contractor at the rate of one hundred (\$100) dollars per hour.
10. Rights Reversion. Twenty four (24) months following the Effective Date, C&K will provide Kirk with a list of all Kirk-created properties that have been rejected by CA&E. A property shall be deemed rejected if it is not in train of on-going shopping or active exploitation by CA&E. All such rejected properties shall then revert to David Kirk subject to restrictions of CAE and C&K non-compete agreements. After the twenty fourth month following the Effective Date, any newly-created David Kirk properties presented by Kirk to C&K and rejected by CA&E will revert to David Kirk upon rejection by CA&E. With respect to reverted properties, CAE and David Kirk agree to discuss non compete issues in good faith on a case by case basis, in order to further the parties' mutual desire that Kirk properties not compete with C&K or CAE properties.
11. Use of Kirk Name. Following the Effective Date
  - (a) C&K and CA&E may continue to associate the David Kirk name with any Sunny Patch product licensed or marketed by them or either of them, insofar as the David Kirk name has been previously associated with such product, and consistent with past practice;
  - (b) No person shall make any new use of David Kirk's name, image or likeness without his written consent given in advance.
12. C&K Management, Profit Sharing and Cash Compensation. Following the Effective Date
  - (a) C&K shall assign to Kirk the security interest and its liens over the Sunny Patch Brand and Miss Spider license granted by CA&E;


- (b) C&K promptly upon receipt shall pay over to Kirk without withholding or set-off of any nature, as a distribution of assets, all sums received from CA&E as Base Consideration, as Additional Consideration, or as SP Participation;
  - (c) Once C&K produces pre-tax operating profits and all cumulative R&D loans advanced from CA&E to C&K have been paid off, members of C&K will share in the distribution of profits pari passu based on a distribution formula to be agreed to and voted on by all C&K members;
  - (d) C&K will not incur debt greater than \$100,000 without Kirk's prior approval;
  - (e) Any liabilities of C&K existing as of the Effective Date will be assumed by CA&E; Kirk represents and warrants that he has not himself, as a member of C&K, has not acted, contracted, undertaken, or consented to the creation of, any liability in the name of C&K;
  - (f) For the first year following the Effective Date neither Kirk, nor Callaway will be entitled to or draw a salary from C&K; at the end of year one both principals will review the financial condition of the C&K business and determine if a base compensation is viable without incurring incremental indebtedness to CA&E.
13. Kirk Artwork. Promptly following the Effective Date C&K and Callaway shall return to Kirk the originals (but not the copyright) of all of the artwork created and furnished to C&K by Kirk, including but not limited to books, drawings, toys, projects or other objects, save only those specifically purchased by Callaway or given to him by Kirk, provided, however, that Kirk may permit C&K to retain various of such original artwork for display, reproduction, or as may be required for any other legitimate business purpose.
14. Waivers. C&K and Kirk waive and release each other from any right or claim respecting
- (a) a recoupment by C&K of royalties overpaid to Kirk;
  - (b) any recoupment by C&K of royalties mistakenly paid to Kirk;
  - (c) failure of C&K to pay to Kirk royalties in connection with the Melissa & Doug, LLC license dated August 29, 2008.
15. Option on Kirk's CA&E Stock. Kirk grants to Callaway and to CA&E jointly or as they may agree among themselves, an option exercisable in writing within 90 days following the third anniversary of the Effective Date, to acquire all of Kirk's interest in CA&E, at a consideration to be paid in cash at closing, equal to the product of Kirk's percentage of issued and outstanding stock in CA&E multiplied

by the fair market value of CA&E to be determined by a third party appraiser acceptable to Kirk and Callaway.


16. Other Documents. Each of the Interested Persons shall undertake to execute and deliver upon request such other or further documents as may be reasonably required to give effect to the provisions of the definitive agreements made pursuant to this Term Sheet.
  
17. Binding Effect. This Term Sheet is expressly intended not to bind any of the persons making it, in contract, in equity, or in any other fashion. If an arrangement is agreed, it shall be expressed in one or more definitive agreements, and no amendment to any existing contractual arrangement or arrangements among any of the interested persons is intended or may be implied unless and until all necessary parties have executed and exchanged such definitive agreements and amendments to existing agreements as may be required.
  
18. Timeliness. The Interested Persons acknowledge that it is critical to certain strategic efforts of C&K and CA&E now underway that the definitive agreements contemplated by this Term Sheet be completed and enter into effect as quickly as possible, and accordingly mutually agree and undertake to complete such definitive agreements as are contemplated by this Term Sheet as quickly as possible.

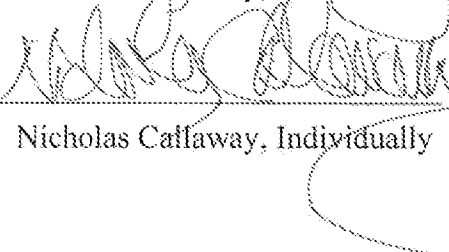
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Callaway Arts and Entertainment, Inc.

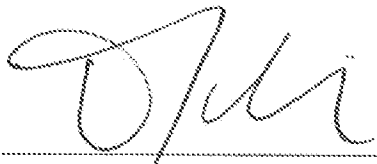
By:  Date: 5/6/09  
Nicholas Callaway, President

Callaway and Kirk Company, LLC

By:  Date: 5/6/2009  
Nicholas Callaway, Member

 Date: 5/6/2009  
Nicholas Callaway, Individually





David Kirk, Individually

Date: 5/01/09

**Schedule A to Term Sheet**  
**Properties Previously Presented by Kirk**

**ROBOTS**

**Tin Town**

The Concept – Two young robot brothers find incredible adventure when their law-robot dad moves the family to a remote outpost in the western galaxy.

**Robot Rangers** – a bit like wonder pets - Robot kids band together to help creatures around the galaxy get out of trouble. But . . . rescuing others from trouble always seems to lead our guys into trouble of their own. This show is for the six to nines and will begin teaching them about loyalty and responsibility while looking awesome weird—all against the soundtrack of the crazy space music that’s flooding into Havoc’s ears from the far reaches of the galaxy.

**BABY BOOKS** – mostly titles.

Whose toes are those? – Rhyme about heredity

Big, Big, Bib – Rhyme about eating messy stuff

Dirty Babies! – Rhyme about getting filthy

Yummy Thummy – Rhyme about thumb sucking

Baby Music – Rhyme about noises babies make

Baby Thinks – Rhyme about what a baby thinks in the womb

Naughty Baby Jesus – Rhyme about Jesus being an ordinary baby

Where I Peed – A dog pees around his neighborhood

Princess Poopy Pants – A spoiled princess won’t give up her diaper.

**CANDY**

**Candy Kingdom** – Sweet Dreamers – When their parents buy an old candy store, a brother and sister find a mysterious machine that transports them to a world of candy creatures, where the Candy Prince Carlomel and the Candy Princess Fruitcake compete to make the most delicious confections.

**Meet the Beans**

The concept – A Jellybean family’s adventures in their strange and beautiful world of candy.

## ANIMAL ADVENTURE

**Brave Club** – a group of animal kids get together to help each other with their fears.

**Nest Builders** – "Retired" forest parents and their recruits work to help young animal parents and their children learn the ways of the forest and the world.

**Pussy Willows** – fantasy about the kitties who work at the establishment where baby kitties are brought into the world

**Napoleon and Josephine** – about a wild mouse and an X pet hamster who are trying to get along at the edge of the world of men, without their assistance or protection.

**Jungle journals**, Safari story, Butterfly Diaries, A friend for Mostly—These were all stories for a Scholastic project.

**Dreamer stories** – Guinevere Dreams, Oso Tiny, Gulliver's Teddy—these were going to be book and toy sets.

**David the Elephant** – my personal adventures as a young elephant

## FANTASY

**Sosi's Wings** - A wingless fairy tricks a hapless butterfly into giving her his wings.

**Fat Fairies** – the fairies ancestral woodland home is victim to urban sprawl and is built over with a greasy spoon diner. The fairies deal with their many new modern problems as best they can.

**Fairy Lessons** – The concept – This is a "we are talking directly to you, kids" show, with fairies helping children understand the natural environment, and their place in their own world. The fairies teach everything from what to do when your sister steals your socks, to how to raise a happy earthworm.

**The Treasure of Moontree** – Good fairies who've lost the vital elements that protect their world go in search to retrieve them from the bad beasties who've stolen them.

**Garden Club** –The concept – A musical show where garden flowers and vegetables deal with growing up in a crowded, mixed community.

### **Cloud Riders**

**Cloud Raiders** (just titles so far)

**Moops, or Balloon Heaven, or Balloonaballoo** - Adventure in the cloudy community where lost balloons gather

**Monsters of Maple Lane** – A family of weird monsters tries to pass for normal in suburban neighborhood.

### **Weird Creatures**

The concept – Stories demonstrating though the exploits and interaction of strange and common creatures, that all creatures, even your own family members are extremely weird.

**Creature Craft** – Contact with a mysterious chemical agent in dollar store shampoo affords a thirteen-year-old girl the capability to mutate and combine animals into wonderful or terrible new pets.

**Daisy in Danger** - The world's smartest girl must battle the evil minions of the nefarious Doctor Olfanger after her scientist dad's brain is accidentally relocated into her ornery pet wiener dog's head.

## **DARKER STORIES**

**The Spookies** – Dead children living together in a graveyard, learning the lessons of being dead.

**The Bonies** – A story about parts of a cat skeleton that come to life as individual characters.

**Timmy in Hell** - Timmy Below - Timmy inadvertently sends his mischievous brother to hell with a powerful curse and must follow him into the underworld to bring him home.

### **MISCELLANEOUS**

**Greater Sunny Patch or Nest builder animals** – mice, owl, butterfly, fish, lizard, robin, badger, etc.

### **BLOCKMAN**