

08-20-2001

Form PTO-1594 RE

U.S. DEPARTMENT OF COMMERCE

(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)
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U.S. Patent and Trademark Office

101815880

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

1. Name of conveying party(ies): 81401
Family Wonder, Inc.
 Individual(s) Association
 General Partnership Limited Partnership
 Corporation-State
 Other _____
Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)
Name: Sega Corporation
Internal Address: _____
Street Address: 2-12 Haneda, 1-Chome
City: Ohta-ku State: Tokyo Zip: 144 Japan
 Individual(s) citizenship _____
 Association _____
 General Partnership _____ 14 2001
 Limited Partnership _____
 Corporation-State _____
 Other Japanese Corporation
If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached: Yes No

3. Nature of conveyance:
 Assignment Merger
 Security Agreement Change of Name
 Other _____
Execution Date: August 6, 2001

4. Application number(s) or registration number(s):
A. Trademark Application No.(s)
75800850
75753840
Additional number(s) attached : Yes No

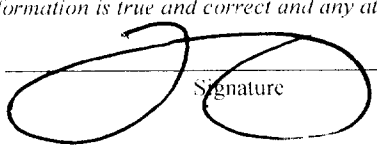
B. Trademark Registration No.(s)

5. Name and address of party to whom correspondence concerning document should be mailed:
Name: Judith A. Whitehouse, Esq.
Internal Address: _____
Street Address: Brobeck, Phleger & Harrison LLP
One Market, Spear Street Tower
City: San Francisco State: CA Zip: 94105

6. Total number of applications and registrations involved:..... 2
7. Total fee (37 CFR 3.41).....\$65.00
 Enclosed
 Authorized to be charged to deposit account
8. Deposit account number:

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

DO NOT USE THIS SPACE

9. Statement and signature.
To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document
Fred Hyei, CEO  8/6/2001
Name of Person Signing Signature Date

Total number of pages including cover sheet, attachments, and document: 23

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

08/20/2001 LMUELLER 00000018 75800850

01 FC:481 40.00 DP
02 FC:482 25.00 DP

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TRADEMARK
REEL: 002350 FRAME: 0785

July 31, 2001


Commissioner of Patent & Trademarks
Box Assignments
Washington, D.C. 20231

RE: Designation of Domestic Representative

Ladies and Gentlemen:

Sega Corporation, a Japanese corporation, hereby designates Leonard Sloomaker,
Executive Vice President and General Counsel, SEGA of America Dreamcast, Inc., 650
Townsend Street, Suite 650, San Francisco, CA 94103-4908 as its domestic
representative for purposes of filing the attached Recordation Form Cover Sheet with the
U.S. Patent and Trademark Office.

SEGA CORPORATION

By: 

Name: HIDENOBU MATSUI

Title: GENERAL MANAGER IP DPT.

SUBSIDIARY SECURITY AGREEMENT

THIS SUBSIDIARY SECURITY AGREEMENT (this "Agreement"), dated as of August 6, 2001, is made by and among SEGA.COM PC NETWORKS, INC., a Delaware corporation, SIP PROPERTIES, INC., a Delaware corporation, FAMILY WONDER, INC., a Delaware corporation, SEGA-FAMILY WONDER, LLC, a Delaware limited liability company (each, a "Debtor" and, collectively, the "Debtors") and SEGA CORPORATION, a Japanese corporation ("Secured Party").

WHEREAS, Sega.com, Inc. ("Company") and Secured Party are parties to that certain Credit Toward Purchase Price Agreement, of even date herewith (as amended, modified, renewed or extended from time to time, the "Credit Toward Purchase Price Agreement") pursuant to which Secured Party has agreed to make certain credit extensions available to Company (as more fully described therein);

WHEREAS, Company has requested each Debtor to secure the obligations of Company to Secured Party under the Credit Toward Purchase Price Agreement; and

WHEREAS, each Debtor will derive substantial direct and indirect benefits from the extension of credit by Secured Party to Company and has agreed to secure the obligations of Company to Secured Party under the Credit Toward Purchase Price Agreement;

NOW THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Debtor and Secured Party hereby agree as follows:

SECTION 1 Definitions; Interpretation.

(a) All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Credit Toward Purchase Price Agreement.

(b) As used in this Agreement, the following terms shall have the following meanings:

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

"Company Security Agreement" means that certain Company Security Agreement, of even date herewith, between Company and Secured Party.

"Credit Toward Purchase Price Agreement" has the meaning set forth in the first whereas clause hereof.

"Documents" means this Agreement, the Note, the Credit Toward Purchase Price Agreement, the Memorandum of Understanding, the Company Security Agreement and all other certificates, documents, agreements and instruments delivered to Secured Party under the Note, the Credit Toward Purchase Price Agreement or in connection with the Obligations.

“Event of Default” has the meaning set forth in Section 8.

“Lien” means any mortgage, deed of trust, pledge, security interest, assignment, deposit arrangement, charge or encumbrance, lien, or other type of preferential arrangement.

“Memorandum of Understanding” means that certain Memorandum of Understanding, dated as of August 6, 2001, between Company and Secured Party (including all schedules and exhibits thereto), as such document may be amended, restated, supplemented or modified from time to time pursuant to the terms thereof.

“Note” means that certain Note, dated August 6, 2001, made by Company in favor of Secured Party, as amended, modified, renewed, extended or replaced from time to time.

“Obligations” means the indebtedness, liabilities and other obligations of Company to Secured Party created under or arising out of or in connection with the Note, any of the other Documents or otherwise, including, without limitation, all unpaid principal of the Note, all interest accrued thereon, all fees and all other amounts payable by Company to Secured Party thereunder or in connection therewith, whether now existing or hereafter arising, and whether due or to become due, absolute or contingent, liquidated or unliquidated, determined or undetermined.

“Permitted Lien” means (i) any Lien in favor of Secured Party; (ii) any Lien that is subordinate to the Lien on the Collateral created by this Agreement; (iii) any Liens existing as of the date hereof and disclosed in writing to Secured Party; (iv) Liens (A) upon or in any property acquired or held by any Debtor to secure the purchase price of such property or indebtedness incurred solely for the purpose of financing the acquisition of such property, or (B) existing on such property at the time of its acquisition, provided that any such Lien is confined solely to the property so acquired and improvements thereon; and (v) other Liens which arise in the ordinary course of business and do not materially impair the applicable Debtor’s ownership or use of the Collateral or the value thereof.

“Person” means an individual, corporation, partnership, joint venture, trust, unincorporated organization, governmental agency or authority, or any other entity of whatever nature.

“UCC” means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of California.

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

(c) In this Agreement, (i) the meaning of defined terms shall be equally applicable to both the singular and plural forms of the terms defined; and (ii) the captions and headings are for convenience of reference only and shall not affect the construction of this Agreement.

SECTION 2 Security Interest.

(a) As security for the payment and performance of the Obligations, each Debtor hereby grants to Secured Party a security interest in all of such Debtor's right, title and interest in, to and under all of its personal property, wherever located and whether now existing or owned or hereafter acquired or arising, including all accounts, chattel paper, commercial tort claims, deposit accounts, documents, equipment (including all fixtures), general intangibles (including all intellectual property), instruments, inventory, investment property, letter-of-credit rights, money and all products, proceeds and supporting obligations of any and all of the foregoing (collectively, the "Collateral"). Notwithstanding the foregoing, except for fixtures (as provided in Section 9-313 of the UCC), such grant of a security interest shall not extend to, and the term "Collateral" shall not include, any asset which would be real property under the law of the jurisdiction in which it is located.

(b) Anything herein to the contrary notwithstanding, (i) each applicable Debtor shall remain liable under any contracts, agreements and other documents included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (ii) the exercise by Secured Party of any of the rights hereunder shall not release any Debtor from any of its duties or obligations under such contracts, agreements and other documents included in the Collateral, and (iii) Secured Party shall not have any obligation or liability under any contracts, agreements and other documents included in the Collateral by reason of this Agreement, nor shall Secured Party be obligated to perform any of the obligations or duties of any Debtor thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Collateral hereunder.

(c) This Agreement shall create a continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 19 hereof.

SECTION 3 Financing Statements, Etc. Each Debtor shall execute and deliver to Secured Party concurrently with the execution of this Agreement, and each Debtor hereby authorizes Secured Party to file (with or without such Debtor's signature), at any time and from time to time thereafter, all financing statements, assignments, continuation financing statements, termination statements, account control agreements, and other documents and instruments, in form reasonably satisfactory to Secured Party, and take all other action, as Secured Party may reasonably request, to perfect and continue perfected, maintain the priority of or provide notice of the security interest of Secured Party in the Collateral and to accomplish the purposes of this Agreement. Without limiting the generality of the foregoing, each Debtor ratifies and authorizes the filing by Secured Party of any financing statements filed prior to the date hereof. Each Debtor will cooperate with Secured Party in obtaining control (as defined in the UCC) of Collateral consisting of deposit accounts, investment property, letter of credit rights and electronic chatter paper. Each Debtor will join with Secured Party in notifying any third party who has possession of any Collateral of Secured Party's security interest therein and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Secured Party. No Debtor will create any chattel paper without placing a legend on the chattel paper acceptable to Secured Party indicating that Secured Party has a security interest in the chattel paper.

SECTION 4 Representations and Warranties. Each Debtor represents and warrants to Secured Party that:

(a) Such Debtor is duly organized, validly existing and in good standing under the law of the jurisdiction of its organization and has all requisite power and authority to execute, deliver and perform its obligations under this Agreement.

(b) The execution, delivery and performance by such Debtor of this Agreement have been duly authorized by all necessary action of such Debtor, and this Agreement constitutes the legal, valid and binding obligation of such Debtor, enforceable against such Debtor in accordance with its terms.

(c) No authorization, consent, approval, license, exemption of, or filing or registration with, any governmental authority or agency, or approval or consent of any other Person, is required for the due execution, delivery or performance by such Debtor of this Agreement, except for any filings necessary to perfect any Liens on any Collateral.

(d) Such Debtor's chief executive office and principal place of business (as of the date of this Agreement) is located at the address set forth in Schedule 1; such Debtor's jurisdiction of organization is set forth in Schedule 1; such Debtor's exact legal name is as set forth in the first paragraph of this Agreement; and all other locations where such Debtor conducts business or Collateral is kept (as of the date of this Agreement) are set forth in or Schedule 1.

(e) Such Debtor has rights in or the power to transfer the Collateral, and such Debtor is the sole and complete owner of the Collateral, free from any Lien other than Permitted Liens.

(f) All of such Debtor's U.S. and foreign patents and patent applications, trademarks, service marks and trade names (whether registered or unregistered), and applications for registration of such trademarks, service marks and trade names, are set forth in Schedule 2.

(g) Such Debtor is not and will not become a lessee under any real property lease or other agreement governing the location of Collateral at the premises of another Person pursuant to which the lessor or such other Person may obtain any rights in any of the Collateral, and no such lease or other such agreement now prohibits, restrains, impairs or will prohibit, restrain or impair such Debtor's right to remove any Collateral from the premises at which such Collateral is situated, except for the usual and customary restrictions contained in such leases of real property.

(h) Such Debtor does not have or hold any chattel paper, letter-of-credit rights or commercial tort claims except as disclosed to Secured Party.

(i) The names and addresses of all financial institutions and other Persons at which such Debtor maintains its deposit and securities accounts, and the account numbers and account names of such accounts, are set forth in Schedule 1.

SECTION 5 Covenants. So long as any of the Obligations remain unsatisfied, each Debtor agrees that:

(a) It shall appear in and defend any action, suit or proceeding which may affect, to a material extent, its title to, or right or interest in, or Secured Party's right or interest in, the Collateral, and shall do and perform all reasonable acts that may be necessary and appropriate to maintain, preserve and protect the Collateral.

(b) It shall comply in all material respects with all laws, regulations and ordinances, and all policies of insurance, relating in a material way to the possession, operation, maintenance and control of the Collateral.

(c) It shall give prompt written notice to Secured Party (and in any event not later than 30 days following any change described below in this subsection) of: (i) any change in the location of its chief executive office or principal place of business; (ii) any change in the locations set forth in Schedule 1 applicable to it; (iii) any change in its name; (iv) any changes in its identity or structure in any manner which might make any financing statement filed hereunder incorrect or misleading; (v) any change in its registration as an organization (or any new such registration); or (vi) any change in its jurisdiction of organization; provided that each such Debtor shall not locate any Collateral outside of the United States nor shall any Debtor change its jurisdiction of organization to a jurisdiction outside of the United States.

(d) It shall carry and maintain in full force and effect, at its own expense and with financially sound and reputable insurance companies, insurance with respect to the Collateral in such amounts, with such deductibles and covering such risks as is customarily carried by companies engaged in the same or similar businesses and owning similar properties in the localities where it operates.

(e) It shall keep separate, accurate and complete books and records with respect to the Collateral, disclosing Secured Party's security interest hereunder.

(f) It shall not surrender or lose possession of (other than to Secured Party), sell, lease, rent, or otherwise dispose of or transfer any of the Collateral or any right or interest therein, except in the ordinary course of business or unless such Collateral is replaced by comparable Collateral of similar value; provided that no such disposition or transfer of Collateral consisting of investment property or instruments shall be permitted while any Event of Default exists.

(g) It shall keep the Collateral free of all Liens except Permitted Liens.

(h) It shall pay and discharge all taxes, fees, assessments and governmental charges or levies imposed upon it with respect to the Collateral prior to the date on which penalties attach thereto, except to the extent such taxes, fees, assessments or governmental charges or levies are being contested in good faith by appropriate proceedings.

(i) It shall maintain and preserve its legal existence, its rights to transact business and all other rights, franchises and privileges necessary or desirable in the normal

course of its business and operations and the ownership of the Collateral, except in connection with any transactions expressly permitted by the Note or any other Document.

(j) Upon the request of Secured Party, it shall (i) immediately deliver to Secured Party, or an agent designated by it, appropriately endorsed or accompanied by appropriate instruments of transfer or assignment, all documents and instruments, all certificated securities with respect to any investment property, all letters of credit and all accounts and other rights to payment at any time evidenced by promissory notes, trade acceptances or other instruments, (ii) cause any securities intermediaries to show on their books that Secured Party is the entitlement holder with respect to any investment property, and/or obtain account control agreements in favor of Secured Party from such securities intermediaries, in form and substance satisfactory to Secured Party, with respect to any investment property, as requested by Secured Party, and (iii) provide such notice, obtain such acknowledgments and take all such other action, with respect to any chattel paper, documents and letter-of credit rights, as Secured Party shall reasonably specify.

(k) Upon reasonable prior notice from Secured Party, it shall, at any reasonable time and from time to time, permit Secured Party or any of Secured Party's agents or representatives to visit its premises and inspect the Collateral and examine and make copies of and abstracts from its records and books of account.

(l) It shall: (i) with such frequency as Secured Party may reasonably require, furnish to Secured Party such lists of customers and other information relating to the accounts and other rights to payment as Secured Party shall reasonably request; (ii) give only normal discounts, allowances and credits as to accounts and other rights to payment, in the ordinary course of business, according to normal trade practices utilized by it, and enforce all accounts and other rights to payment strictly in accordance with their terms, except that it may grant any extension of the time for payment or enter into any agreement to make a rebate or otherwise to reduce the amount owing on or with respect to, or compromise or settle for less than the full amount thereof, any account or other right to payment, in the ordinary course of business, according to normal and prudent trade practices utilized by it; and (iii) upon the occurrence and during the continuance of an Event of Default, such Debtor shall, upon the request of Secured Party (A) notify all or any designated portion of the account debtors and other obligors on the accounts and other rights to payment of the security interest hereunder, and (B) notify the account debtors and other obligors on the accounts and other rights to payment or any designated portion thereof that payment shall be made directly to Secured Party or to such other Person or location as Secured Party shall specify.

(m) It shall, at such times as Secured Party shall reasonably request, prepare and deliver to Secured Party a report of all Inventory, in form and substance satisfactory to Secured Party.

(n) It shall (i) notify Secured Party of any material claim made or asserted against the Collateral by any Person and of material change in the composition of the Collateral or other event which could materially adversely affect the value of the Collateral or Secured Party's Lien thereon; (ii) furnish to Secured Party such statements and schedules further identifying and describing the Collateral and such other reports and other information in

connection with the Collateral as Secured Party may reasonably request, all in reasonable detail; and (iii) upon reasonable request of Secured Party make such demands and requests for information and reports as it is entitled to make in respect of the Collateral.

(o) If and when it shall obtain rights to any new patents, trademarks, service marks or trade names, or otherwise acquire or become entitled to the benefit of, or apply for registration of, any of the foregoing, it (i) shall promptly notify Secured Party thereof and (ii) hereby authorizes Secured Party to modify, amend, or supplement Schedule 2 and from time to time to include any of the foregoing and make all necessary or appropriate filings with respect thereto.

(p) At Secured Party's request, it will use commercially reasonable efforts to obtain from each Person from whom it leases any premises at which any Collateral is at any time present such collateral access, subordination, waiver, consent and estoppel agreements as Secured Party may reasonably require, in form and substance satisfactory to Secured Party.

(q) It shall give Secured Party prompt notice of the acquisition of any instruments or securities, or the establishment of any new deposit account or any new securities account with respect to any investment property.

(r) It shall promptly notify Secured Party if Debtor holds or acquires (i) any commercial tort claims, (ii) any chattel paper, including any interest in any electronic chattel paper, or (iii) any letter-of-credit rights.

SECTION 6 Collection of Accounts. Until Secured Party exercises its rights hereunder to collect the accounts and other rights to payment, each Debtor shall endeavor in the first instance diligently to collect all amounts due or to become due on or with respect to the accounts and other rights to payment of such Debtor. At the request of Secured Party, upon the occurrence and during the continuance of any Event of Default, all remittances received by each Debtor shall be held in trust for Secured Party and, in accordance with Secured Party's instructions, remitted to Secured Party or deposited to an account of Secured Party in the form received (with any necessary endorsements or instruments of assignment or transfer). At the request of Secured Party, upon and after the occurrence of any Event of Default, Secured Party shall be entitled to receive all distributions and payments of any nature with respect to any investment property or instruments of any Debtor, and all such distributions or payments received by any Debtor shall be held in trust for Secured Party and, in accordance with Secured Party's instructions, remitted to Secured Party or deposited to an account with Secured Party in the form received (with any necessary endorsements or instruments of assignment or transfer). Following the occurrence of an Event of Default any such distributions and payments with respect to any investment property held in any securities account shall be held and retained in such securities account, in each case as part of the Collateral hereunder. Additionally, Secured Party shall have the right, upon the occurrence of an Event of Default, following prior written notice to the applicable Debtor, to vote and to give consents, ratifications and waivers with respect to any investment property and instruments, and to exercise all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining thereto, as if Secured Party were the absolute owner thereof; provided that Secured Party shall have no duty to exercise

any of the foregoing rights afforded to it and shall not be responsible to any Debtor or any other Person for any failure to do so or delay in doing so.

SECTION 7 Authorization; Secured Party Appointed Attorney-in-Fact.

Secured Party shall have the right to, in the name of each Debtor or any one of them, or in the name of Secured Party or otherwise, upon notice to, but without the requirement of assent by, any Debtor, and each Debtor hereby constitutes and appoints Secured Party (and any of Secured Party's officers, employees or agents designated by Secured Party) as such Debtor's true and lawful attorney-in-fact, with full power and authority to: (i) sign and file any of the financing statements and other documents and instruments which must be executed or filed to perfect or continue perfected, maintain the priority of or provide notice of Secured Party's security interest in the Collateral (including any notices to or agreements with any securities intermediary); (ii) assert, adjust, sue for, compromise or release any claims under any policies of insurance; (iii) give notices of control, default or exclusivity (or similar notices) under any account control agreement or similar agreement with respect to exercising control over deposit accounts or securities accounts; and (iv) execute any and all such other documents and instruments, and do any and all acts and things for and on behalf of such Debtor, which Secured Party may deem reasonably necessary or advisable to maintain, protect, realize upon and preserve the Collateral and Secured Party's security interest therein and to accomplish the purposes of this Agreement. Secured Party agrees that, except upon and during the continuance of an Event of Default, it shall not exercise the power of attorney, or any rights granted to Secured Party, pursuant to clauses (ii), (iii) and (iv). The foregoing power of attorney is coupled with an interest and irrevocable so long as the Obligations have not been paid and performed in full. Each Debtor hereby ratifies, to the extent permitted by law, all that Secured Party shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 7.

SECTION 8 Events of Default. Any of the following events which shall occur and be continuing shall constitute an "Event of Default":

(a) Any Debtor shall fail to pay when due any amount of principal of or interest on the Note or other amount payable hereunder or under the Note or any other Document or in respect of the Obligations.

(b) Any representation or warranty by any Debtor under or in connection with this Agreement, the Note or any other Document shall prove to have been incorrect in any material respect when made or deemed made.

(c) Any Debtor shall fail to perform or observe in any material respect any other term, covenant or agreement contained in this Agreement, the Note or any other Document on its part to be performed or observed and any such failure shall remain unremedied for a period of 30 days from the occurrence thereof; or any "Event of Default" as defined in the Note or any other Document shall have occurred.

(d) Any Debtor shall file a voluntary petition in bankruptcy or a petition or answer seeking reorganization, to effect a plan or other arrangement with creditors or any other

relief under the Bankruptcy Reform Act of 1978, as amended or recodified from time to time (the "Bankruptcy Code") or under any other state or federal law relating to bankruptcy or reorganization granting relief to debtors, whether now or hereafter in effect, or shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition filed against such Debtor pursuant to the Bankruptcy Code or any such other state or federal law; or any Debtor shall be adjudicated a bankrupt; or any order for relief shall be entered against any Debtor in any involuntary proceeding under the Bankruptcy Code or any such other state or federal law referred to in this subsection (d).

(e) Any Debtor shall (i) liquidate, wind up or dissolve (or suffer any liquidation, wind-up or dissolution), except to the extent expressly permitted by the Note or the Credit Toward Purchase Price Agreement, (ii) suspend its operations other than in the ordinary course of business, or (iii) take any action to authorize any of the actions or events set forth above in this subsection (e).

(f) Any material impairment in the value of the Collateral or the priority of Secured Party's Lien hereunder.

(g) Any levy upon, seizure or attachment of any of the Collateral which shall not have been rescinded or withdrawn.

(h) Any loss, theft or substantial damage to, or destruction of, any material portion of the Collateral (unless within 10 days after the occurrence of any such event, the applicable Debtor furnishes to Secured Party evidence satisfactory to Secured Party that the amount of any such loss, theft, damage to or destruction of the Collateral is fully insured under policies having customary deductible levels and naming Secured Party as an additional named insured or loss payee).

SECTION 9 Remedies.

(a) Upon the occurrence and continuance of any Event of Default, Secured Party may declare any of the Obligations to be immediately due and payable and shall have, in addition to all other rights and remedies granted to it in this Agreement, the Note or any other Document, all rights and remedies of a secured party under the UCC and other applicable laws. Without limiting the generality of the foregoing, (i) Secured Party may peaceably and without notice enter any premises of any Debtor, take possession of any of the Collateral, remove or dispose of all or part of the Collateral on any premises of any such Debtor or elsewhere, or, in the case of equipment, render it nonfunctional, and otherwise collect, receive, appropriate and realize upon all or any part of the Collateral, and demand, give receipt for, settle, renew, extend, exchange, compromise, adjust, or sue for all or any part of the Collateral, as Secured Party may determine; (ii) Secured Party may require any Debtor to assemble all or any part of the Collateral and make it available to Secured Party at any place and time designated by Secured Party; (iii) Secured Party may secure the appointment of a receiver of the Collateral or any part thereof (to the extent and in the manner provided by applicable law); (iv) Secured Party may sell, resell, lease, use, assign, license, sublicense, transfer or otherwise dispose of any or all of the Collateral in its then condition or following any commercially reasonable preparation or processing (utilizing in connection therewith any of Debtor's assets, without charge or liability to Secured

Party therefor) at public or private sale, by one or more contracts, in one or more parcels, at the same or different times, for cash or credit, or for future delivery without assumption of any credit risk, all as Secured Party deems advisable; provided, however, that the applicable Debtor shall be credited with the net proceeds of sale only when such proceeds are finally collected by Secured Party. Secured Party shall have the right upon any such public sale, and, to the extent permitted by law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption, which right or equity of redemption each Debtor hereby releases, to the extent permitted by law. Secured Party shall give each Debtor such notice of any private or public sales as may be required by the UCC or other applicable law.

(b) for the purpose of enabling Secured Party to exercise its rights and remedies under this Section 9 or otherwise in connection with this Agreement, each Debtor hereby grants to Secured Party an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to such Debtor) to use, license or sublicense any intellectual property Collateral.

(c) Secured Party shall not have any obligation to clean up or otherwise prepare the Collateral for sale. Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other Person liable for them, and Secured Party may release, modify or waive any Collateral provided by any other Person to secure any of the Obligations, all without affecting Secured Party's rights against any Debtor. Each Debtor waives any right it may have to require Secured Party to pursue any third Person for any of the Obligations. Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. Secured Party may sell the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. If Secured Party sells any of the Collateral upon credit, the applicable Debtor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and the applicable Debtor shall be credited with the proceeds of the sale.

(d) To the extent any Debtor uses the proceeds of any of the Obligations to purchase Collateral, such Debtor's repayment of the Obligations shall apply on a "first-in, first-out" basis so that the portion of the Obligations used to purchase a particular item of Collateral shall be paid in the chronological order such Debtor purchased the Collateral.

(e) The cash proceeds actually received from the sale or other disposition or collection of Collateral, and any other amounts received in respect of the Collateral the application of which is not otherwise provided for herein, shall be applied first, to the payment of the reasonable costs and expenses of Secured Party in exercising or enforcing its rights hereunder and in collecting or attempting to collect any of the Collateral, and to the payment of all other amounts payable to Secured Party pursuant to Section 13 hereof; and second, to the payment of the Obligations. Any surplus thereof which exists after payment and performance in full of the Obligations shall be promptly paid over to the applicable Debtor or otherwise disposed of in accordance with the UCC or other applicable law. Each Debtor shall remain liable to Secured

Party for any deficiency which exists after any sale or other disposition or collection of Collateral.

SECTION 10 Certain Waivers. Each Debtor waives, to the fullest extent permitted by law, (i) any right of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling of the Collateral or other collateral or security for the Obligations; (ii) any right to require Secured Party (A) to proceed against any Person, (B) to exhaust any other collateral or security for any of the Obligations, (C) to pursue any remedy in Secured Party's power, or (D) to make or give any presentments, demands for performance, notices of nonperformance, protests, notices of protests or notices of dishonor in connection with any of the Collateral; and (iii) all claims, damages, and demands against Secured Party arising out of the repossession, retention, sale or application of the proceeds of any sale of the Collateral

SECTION 11 Notices. All notices or other communications hereunder shall be in writing (including by facsimile transmission or by email) and mailed, sent or delivered to the respective parties hereto at or to their respective addresses, facsimile numbers or email addresses set forth below their names on the signature pages hereof, or at or to such other address, facsimile number or email address as shall be designated by any party in a written notice to the other parties hereto. All such notices and other communications shall be deemed to be delivered when a record (within the meaning of the UCC) has been (i) delivered by hand; (ii) sent by mail upon the earlier of the date of receipt or five business days after deposit in the mail, first class (or air mail as to communications sent to or from the United States); (iii) sent by facsimile transmission; or (iv), sent by email.

SECTION 12 No Waiver; Cumulative Remedies. No failure on the part of Secured Party to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to Secured Party.

SECTION 13 Costs and Expenses.

(a) Each Debtor agrees to pay promptly upon demand:

(i) all reasonable costs and expenses of Secured Party, and the fees and disbursements of counsel, in connection with the enforcement or attempted enforcement of, and preservation of any rights or interests under, this Agreement and the Note, including in any out-of-court workout or other refinancing or restructuring or in any bankruptcy case, and the protection, sale or collection of, or other realization upon, any of the Collateral, including all expenses of taking, collecting, holding, sorting, handling, preparing for sale, selling, or the like, and other such expenses of sales and collections of Collateral.

(b) Any amounts payable to Secured Party under this Section 13 or otherwise under this Agreement if not paid upon demand shall bear interest from the date of such demand

until paid in full, at the default rate of interest set forth in Section 2.05 of the Credit Toward Purchase Price Agreement.

SECTION 14 Binding Effect. This Agreement shall be binding upon, inure to the benefit of and be enforceable by each Debtor, Secured Party and their respective successors and assigns and shall bind any Person who becomes bound as a debtor to this Agreement. No Debtor may assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder without the prior express written consent of Secured Party. Any such purported assignment, transfer, hypothecation or other conveyance by any Debtor without the prior express written consent of Secured Party shall be void. Each Debtor acknowledges and agrees that in connection with an assignment of, or grant of a participation in, the Obligations Secured Party may assign, or grant participations in, all or a portion of its rights and obligations hereunder. Upon any assignment of Secured Party's rights hereunder, such assignee shall have, to the extent of such assignment, all rights of Secured Party hereunder. Each Debtor agrees that, upon any such assignment, such assignee may enforce directly, without joinder of Secured Party, the rights of Secured Party set forth in this Agreement. Any such assignee shall be entitled to enforce Secured Party's rights and remedies under this Agreement to the same extent as if it were the original secured party named herein.

SECTION 15 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of California, except as required by mandatory provisions of law and to the extent the validity or perfection of the security interests hereunder, or the remedies hereunder, in respect of any Collateral are governed by the law of a jurisdiction other than California.

SECTION 16 Entire Agreement; Amendment. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and shall not be amended except by the written agreement of the parties.

SECTION 17 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement, or the validity or effectiveness of such provision in any other jurisdiction.

SECTION 18 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

SECTION 19 Termination. Upon payment and performance in full of all Obligations, the security interest created under this Agreement shall terminate and Secured Party shall promptly execute and deliver to each Debtor such documents and instruments reasonably

requested by such Debtor as shall be necessary to evidence termination of all security interests given by such Debtor to Secured Party hereunder.

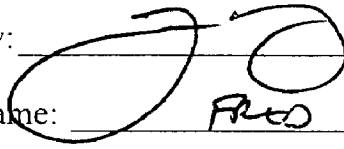
SECTION 20 Joint and Several Liability. The liability of each Debtor shall be joint and several. Each Debtor agrees that any and all of its obligations hereunder shall be the joint and several responsibility of each of them notwithstanding any absence herein of a reference such as "jointly and severally" with respect to any such obligation. The compromise of any claim with, or the release of, any Debtor shall not constitute a compromise with, or a release of, any other Debtor.

SECTION 21 Conflicts. In the event of any conflict or inconsistency between this Agreement and the Credit Toward Purchase Price Agreement, the terms of this Agreement shall control.

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

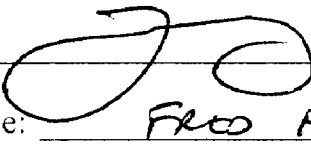
DEBTORS:

SEGA.COM PC NETWORKS, INC.

By: 
Name: Fred Huey
Title: CEO

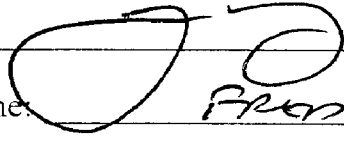
Sega.com PC Networks, Inc.
650 Townsend Street, Suite 550
San Francisco, CA 94103
Attn: Mr. Gerard Wiener, Esq.
Tel: (415) 701-3641
Fax: (415) 701-6009
email: gerard.wiener@segaamerica.com

SIP PROPERTIES, INC.

By: 
Name: Fred Huey
Title: CEO

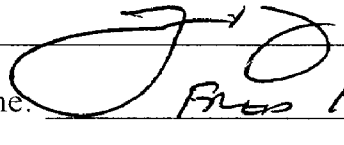
SIP Properties, Inc.
650 Townsend Street, Suite 550
San Francisco, CA 94103
Attn: Mr. Gerard Wiener, Esq.
Tel: (415) 701-3641
Fax: (415) 701-6009
email: gerard.wiener@segaamerica.com

FAMILY WONDER, INC.

By: 
Name: Fred Huey
Title: CEO

Family Wonder, Inc.
650 Townsend Street, Suite 550
San Francisco, CA 94103
Attn: Mr. Gerard Wiener, Esq.
Tel: (415) 701-3641
Fax: (415) 701-6009
email: gerard.wiener@segaamerica.com

SEGA-FAMILY WONDER, LLC

By: 
Name: Fred Huey
Title: CEO

Sega-Family Wonder, LLC
650 Townsend Street, Suite 550
San Francisco, CA 94103
Attn: Mr. Gerard Wiener, Esq.
Tel: (415) 701-3641
Fax: (415) 701-6009
email: gerard.wiener@segaamerica.com

SECURED PARTY

SEGA CORPORATION

Subsidiary Security

By: 香山 野

Name: Tetsu Kayama

Title: COO

Sega Corporation
2-12 Haneda, 1-Chome
Ohta-ku, Tokyo 144 Japan
Attn: Mr. Leonard Sloomaker, Esq.
Tel: (415) 701-3620
Fax: (415) 701-6009
email: sloot@segaamerica.com

SCHEDULE 1
to the Security Agreement

1. Jurisdictions of Organization of each Debtor:

Sega.com PC Networks, Inc.	Delaware
SIP Properties, Inc.	Delaware
Family Wonder, Inc.	Delaware
Sega-Family Wonder, LLC	Delaware

2. Chief Executive Office and Principal Place of Business of each Debtor:

650 Townsend Street, Suite 550
San Francisco, CA 94103

3. Other locations where the Debtors conduct business or Collateral is kept:

Sega.com PC Networks, Inc.	N/A
SIP Properties, Inc.	N/A
Family Wonder, Inc.	N/A
Sega-Family Wonder, LLC	N/A

4. Deposit Accounts and Security Accounts:

Sega.com PC Networks, Inc.	N/A
SIP Properties, Inc.	N/A
Family Wonder, Inc.	N/A
Sega-Family Wonder, LLC	N/A

SCHEDULE 2
to the Security Agreement

1. **Issued Patents of each Debtor:**

SEGA.COM PC NETWORKS, INC,

<u>Grantor</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Inventors</u>	<u>Title</u>	<u>Agent</u>
NONE					

SIP PROPERTIES, INC.

<u>Grantor</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Inventors</u>	<u>Title</u>	<u>Agent</u>
NONE					

FAMILY WONDER, INC.

<u>Grantor</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Inventors</u>	<u>Title</u>	<u>Agent</u>
NONE					

SEGA-FAMILY WONDER, LLC

<u>Grantor</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Inventors</u>	<u>Title</u>	<u>Agent</u>
NONE					

2. Pending Patent Applications of each Debtor:

SEGA.COM PC NETWORKS, INC.

<u>Grantor</u>	<u>Application No.</u>	<u>Filing Date</u>	<u>Inventors</u>	<u>Title</u>
NONE				

SIP PROPERTIES, INC.

<u>Grantor</u>	<u>Application No.</u>	<u>Filing Date</u>	<u>Inventors</u>	<u>Title</u>
NONE				

FAMILY WONDER, INC.

<u>Grantor</u>	<u>Application No.</u>	<u>Filing Date</u>	<u>Inventors</u>	<u>Title</u>
NONE				

SEGA-FAMILY WONDER, LLC

<u>Grantor</u>	<u>Application No.</u>	<u>Filing Date</u>	<u>Inventors</u>	<u>Title</u>
NONE				

3. Trademarks, Service Marks and Trade Names of each Debtor:

SEGA.COM PC NETWORKS, INC.

<u>Grantor</u>	<u>Reg. No.</u>	<u>Reg. Date.</u>	<u>Filing Date</u>	<u>Reg. Owner</u>	<u>Mark</u>
Sega.com PC Networks, Inc. (as assignee)	2081112	7/22/97	4/12/96	Rocket Science Games, Inc.	STARHILL PRODUCTIONS
Sega.com PC Networks, Inc. (as assignee)	2265778	7/27/99	7/19/96	Segasoft, Inc.	HEAT INTERACTIVE NETWORKS
Sega.com PC Networks, Inc. (as assignee)	2185516	9/1/98	3/17/97	Segasoft	Design only
Sega.com PC Networks, Inc. (as assignee)	2223618	2/16/99	3/17/97	Segasoft Networks, Inc.	Design only
Sega.com PC Networks, Inc. (as assignee)	2199011	10/20/98	2/18/97	Segasoft	RIPX
Sega.com PC Networks, Inc. (as assignee)	2147412	3/31/98	1/13/97	Segasoft	WEB VENGEANCE

SIP PROPERTIES, INC.

<u>Grantor</u>	<u>Reg. No.</u>	<u>Reg. Date.</u>	<u>Filing Date</u>	<u>Reg. Owner</u>	<u>Mark</u>
NONE					

FAMILY WONDER, INC.

<u>Grantor</u>	<u>Reg. No.</u>	<u>Reg. Date.</u>	<u>Filing Date</u>	<u>Reg. Owner</u>	<u>Mark</u>
NONE					

SEGA-FAMILY WONDER, LLC

<u>Grantor</u>	<u>Reg. No.</u>	<u>Reg. Date.</u>	<u>Filing Date</u>	<u>Reg. Owner</u>	<u>Mark</u>
NONE					

4. Pending Trademark, Service Mark and Trade Name Applications of each Debtor:

SEGA.COM PC NETWORKS, INC.

<u>Grantor</u>	<u>Application No.</u>	<u>Filing Date</u>	<u>Applicant</u>	<u>Mark</u>
Sega.com PC Networks, Inc.	76038359	5/2/00	Sega.com PC Networks, Inc.	Design Only
Sega.com PC Networks, Inc.	76038357	5/2/00	Sega.com PC Networks, Inc.	HEAT.NET
Sega.com PC Networks, Inc.	76038216	5/2/00	Sega.com PC Networks, Inc.	HEAT.NET WHERE GAMERS GET IT ONLINE
Sega.com PC Networks, Inc. (as assignee)	75315774	6/27/99	Segasoft Networks, Inc.	Design Only
Sega.com PC Networks, Inc. (as assignee)	75295362	5/20/97	Segasoft Networks, Inc.	SKIES

SIP PROPERTIES, INC.

<u>Grantor</u>	<u>Application No.</u>	<u>Filing Date</u>	<u>Applicant</u>	<u>Mark</u>
NONE				

FAMILY WONDER, INC.

<u>Grantor</u>	<u>Application No.</u>	<u>Filing Date</u>	<u>Applicant</u>	<u>Mark</u>
Family Wonder, Inc.	75800850	9/15/99	Family Wonder, Inc.	THE SMARTER WAY TO SHOP FOR KIDS
Family Wonder, Inc. (as assignee)	75753840	7/15/99	Moviestreet, Inc.	FAMILY WONDER

SEGA-FAMILY WONDER, INC.

<u>Grantor</u>	<u>Application No.</u>	<u>Filing Date</u>	<u>Applicant</u>	<u>Mark</u>
NONE				