

**NATURAL WONDERS, INC. AND WORLD OF SCIENCE, INC.  
ESTATE MANAGEMENT AGREEMENT**

This ESTATE MANAGEMENT AGREEMENT is entered into by and among the Reorganized Debtor (formerly Debtors and Debtors-in-Possession Natural Wonders, Inc. and World of Science, Inc.), the Official Unsecured Creditors Committee appointed in the Natural Wonders, Inc. Chapter 11 case and Douglas C. Charboneau ("Estate Manager"), as the Estate Manager pursuant to the Joint Plan of Reorganization (the "Plan"). This Agreement is deemed dated and effective as of the Effective Date of the Plan.

**RECITALS**

A. This Agreement is entered into in connection with the Plan, which was confirmed by entry of the Confirmation Order on \_\_\_\_\_, 2001, by the Bankruptcy Court in the Reorganization Cases.

B. The Plan provides that the Estates created in the Reorganization Cases are to be one substantively consolidated "Estate," as of the Effective Date, and provides for the appointment of an Estate Manager to facilitate the orderly liquidation of the Estate, the administration of the Reorganization Cases and the effectuation of the Plan.

C. This Agreement sets forth the terms and conditions that will govern the management of the Estate and the authority of the Estate Manager.

D. All defined terms in the Plan shall have the same meaning herein unless the context otherwise requires a different meaning.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements contained herein, the Estate Manager and the Committee agree as follows:

**ARTICLE I  
DEFINITIONS**

1.1 **Certain Additional Defined Terms.** For purposes of this Agreement:

(1) **"Agreement"** means this Agreement, as originally executed or as amended from time to time in accordance with the terms of this Agreement and the Plan.

(2) **"Court Orders"** means all orders of the Bankruptcy Court pertaining to the Bankruptcy Case, including the Confirmation Order, as such orders may be in effect from time to time.

(3) **"Creditors"** means those Persons who hold Claims and who are entitled under the Plan to receive Distributions from the Estate.

(4) **"Estate Manager"** means Douglas C. Charboneau appointed as the initial Estate Manager pursuant to Section VI of the Plan and each of his successors, if any, appointed pursuant to Section V of the Plan or this Agreement.

(5) **"Estate Assets"** means all now existing or hereafter arising assets of the Estate of any kind and character, including all now existing or hereafter arising rents, income, dividends, interest, proceeds, profits, and other receipts of or from such assets.

## 1.2 **Generally:**

(a) Wherever required by the context of this Agreement, the masculine gender includes the feminine and neuter genders, and vice versa; if appropriate, words importing the singular number include the plural number, and vice versa; and the words "persons," "persons" or "entity" include an individual, corporation, partnership, joint venture, or other form of association;

(b) Capitalized terms not expressly defined herein have the meanings ascribed to them in the Plan;

(c) Unless otherwise specified, references to Sections or Articles are references to the Sections and Articles of this Agreement; and

(d) Any reference herein to a "vote" or a "requisite vote" of the Committee shall mean a vote of the Committee.

## **ARTICLE II ESTATE MANAGEMENT**

2.1 **Purpose of Estate Management Agreement.** This Agreement is entered into pursuant to the Plan for the purpose of effecting an orderly liquidation of the Estate and for distributing the net proceeds from such liquidation in the manner contemplated by the Plan.

2.2 **Appointment and Acceptance of Estate Manager.** In accordance with Section VI of the Plan, Douglas C. Charboneau has been engaged and appointed as the sole Estate Manager in order to act and serve as initial Estate Manager of the Estate and the Estate Assets, and in order to supervise the management, liquidation, and distribution of the Estate Assets subject to the conditions set forth in this Agreement, the Plan, and the Court Orders. Douglas C. Charboneau is willing to accept, and hereby accepts, the appointment to act and serve as Estate Manager of the Estate and to supervise the administration of the Estate Assets pursuant to the terms of this Agreement, the Services Contract, the Plan and Court Orders.

2.3 **Termination of this Agreement.** This Agreement shall terminate upon the distribution or other disposition of all Estate Assets, the satisfaction of all Allowed Claims consistent with the Plan, the rendering of a final accounting, the conclusion of the administration of the Estate, and (pursuant to order of the Bankruptcy Court) the closing of the Reorganization Cases.

### **ARTICLE III RIGHTS, POWERS, AND DUTIES OF THE ESTATE MANAGER**

3.1 **Management.** Subject to the terms of this Agreement, the Plan and Court Orders, the Estate Manager shall take charge of the Estate Assets and shall endeavor to collect, conserve, protect, and liquidate, or otherwise convert into cash, all claims, causes of action, and assets included in the Estate and all such other property incidental thereto as may hereafter be acquired from time to time by the Estate. To this end, the Estate Manager shall manage the affairs of the Estate, shall have sole authority to enter into agreements binding the Estate, and execute, acknowledge, and deliver any and all instruments which are necessary, required, or deemed by the Estate Manager to be advisable in connection with the performance of the Estate Manager's duties under this Agreement and the Plan, all in a manner consistent with this Agreement, the Plan, and the Confirmation Order. The Estate Manager is charged with the duty to realize upon non-cash assets, obtain settlements or determinations of Disputed Claims, distribute available cash to creditors holding Allowed Claims, and conclude the administration of the Estate as efficiently and quickly as possible, consistent with the provisions of the Plan and this Agreement.

3.2 **Powers of the Estate Manager.** As provided in Article V of the Plan, the Estate Manager, together with the Committee, is the representative of the Estate and hereby accepts his appointment under Bankruptcy Code sections 1123(b) (3) and 1129(a) (5) and under the Reorganization Laws. Except as otherwise provided in this Agreement, the Plan and Court Orders, and without prior or further authorization of the Bankruptcy Court, the Estate Manager shall possess all rights and powers possessed by a trustee appointed under the Bankruptcy Code. In connection with the management and use of the Estate Assets, the Estate Manager, without limitation of its power and authority and except as otherwise expressly provided in this Agreement or the Plan, shall do the following:

- (a) distribute the Estate Assets in accordance with the terms of this Agreement and the Plan;
- (b) endorse notes or other obligations and make contracts with respect thereto;
- (c) consistent with this Agreement and the Plan, manage, control, sell (for cash, deferred payments, or other consideration), transfer, convey, exchange, partition, divide, improve, and repair any or all property of the Estate, in any manner which the Estate Manager deems appropriate or advisable; provided, however, that no Estate Assets shall be invested by the Estate Manager in any assets other than demand and time deposits, such as short-term certificates of

deposit in banks or other savings institutions rated AA or better by Moody's or Standard & Poor's, or other high quality temporary liquid investments, such as United States Treasury Bills or Notes;

(d) collect and receive any and all monies and other property of whatever kind and nature whatsoever due, owing, or belonging to the Estate, and give full discharge and acquittance therefor;

(e) abandon any Estate Asset in accordance with the Plan when, in the Estate Manager's reasonable business judgment, such abandonment is in the best interests of the Estate, and once abandoned, such property and any rents, issues, profits, proceeds, and products thereof derived thereafter shall forever cease being property of the Estate;

(f) consistent with the Plan, pay or otherwise compromise any debts, claims, costs, liabilities, expenses and other obligations and charges of the Estate, including, without limitation, interest, taxes, assessments, and other charges, public or private, of every kind and nature, including the claims, costs, charges, expenses and liabilities arising out of, and associated with, the execution, administration, or operation of the Estate;

(g) carry insurance of the kinds and in the amounts which the Estate Manager, in its reasonable business judgment, considers advisable or appropriate, at the expense of the Estate, to protect the Estate Assets, the Estate Manager personally, and the Committee against any liability, fixed or contingent, of whatever kind and nature whatsoever;

(h) sell, transfer, assign, vote and give proxies to vote any securities which are Estate Assets;

(i) consistent with the Plan, initiate, litigate, defend, object to, implead, compromise, submit to arbitration, interplead, or discharge and release, with or without consideration, at the expense of the Estate, any claims against the Debtor, the Estate, the Estate Assets, or the Estate Manager, including Claims and Disputed Claims provided for in the Plan, and any other claims, suits, or other actions, whether at law or in equity, relating to the Estate Manager, the Estate, or the Debtor, or the operation or administration thereof, or any interest of the Estate which the Estate Manager, in its reasonable business judgment, considers advisable;

(j) notwithstanding any other provision of applicable law, determine which books and records of the Estate should be permanently or temporarily preserved and make appropriate provision for the temporary or permanent preservation of such records, and the disposal or abandonment of books and records when, in the Estate Manager's reasonable business judgment, abandonment or disposal is in the best interests of the Estate;

(k) cause to be prepared, review, approve, consent to, or refuse to consent to any tax returns for the Debtors or the Estate; and

(1) consult with the Committee, call for and participate in meetings of the Committee, and poll Committee members on any matter affecting the Estate.

### 3.3 **Court Approvals; Notice and Opportunity for Hearing.**

Notwithstanding the foregoing and any provision of the Bankruptcy Code, the Estate Manager may sell any Estate Asset or compromise any claim by or against the Estate, with or without notice and a hearing and with or without consent of the Committee, but only in accordance with, and as set forth in, the Plan.

3.4 **Payment of Expenses and Other Liabilities.** Subject to the provisions of the Plan and this Agreement, the Estate Manager shall pay from the Estate Assets any and all debts, claims, costs, liabilities, expenses, and other obligations and charges of the Estate, including, without limitation, interest, taxes, assessments, and other charges, public or private, of every kind and nature, and the claims, costs, charges, expenses, professional fees, and liabilities arising out of and associated with the creation, execution, operation, or administration of the Estate and such other payments and disbursements as the Estate Manager may reasonably deem a proper charge against the Estate. The Estate Manager may establish and provide for reserves out of the Estate Assets to be used for such amounts as the Estate Manager reasonably may determine to be necessary to meet present or future liabilities of the Estate, whether fixed or contingent, and whether known or unknown by the Estate Manager at the time such reserves are established. Payment of Estate obligations shall at all times be consistent with the provisions of the Court Orders and the Plan. Notwithstanding anything to the contrary herein, neither the Estate nor the Estate Manager shall be obligated to pay any expense or cost of any kind which was incurred without the express prior consent of the Estate Manager (except such Claims, Administrative Claims, and Post-Effective Date Claims provided for under the Plan).

3.5 **Disbursing Agent, Reserves, Cash Management.** Except as provided in the Plan, the Estate Manager shall act as the Disbursing Agent appointed pursuant to the Plan. In such capacity, the Estate Manager shall make distributions under the Plan and shall maintain appropriate reserves for Disputed Claims in accordance with the Plan. The Estate Manager shall use his reasonable efforts to dispose of the Estate Assets, to make prompt and timely distributions, and to avoid undue prolongation of the duration of the Estate and the Reorganization Case.

3.5.1 **Change in Reserves.** Subject to provisions of the Plan and Court Orders, the Estate Manager may propose to the Committee to increase or decrease the reserves required or permitted by the Plan. Such increase or decrease may be authorized by a vote of the Committee and consent of the Estate Manager and shall be approved by the Bankruptcy Court on notice to the Post-Effective Date Limited Notice List. If the Estate Manager does not consent or the Committee does not vote to consent, either the Estate Manager or the Committee pursuant to a Committee vote may file a motion requesting the Bankruptcy Court to authorize such increase or decrease, which Motion shall be served on the Estate Manager, the Committee, and the Post-Effective Date Limited Notice List at least 20 days prior to any hearing.

3.5.2 **Banking Relations.** The Estate Manager may contract with a bank or other financial institution to maintain custody and safekeeping of cash of the Estate, and to act as investment advisor and funds manager for the Estate.

3.6 **Assets Distributable to Unlocated Creditors.** The Estate Manager shall administer any unclaimed distributions or other payments in accordance with the Plan and Court Orders.

3.7 **Employment of Agents.** Professional Persons will be employed and paid in accordance with the Plan. The Estate Manager may select and employ brokers, banks, custodians, investment advisors, and agents on behalf of the Estate ("Agents"). Subject to prior consultation with the Committee, the Estate Manager may employ such Agents without regard to the prior or concurrent employment of any Agent by any Claimant, the Committee, or the Debtor. Except as otherwise limited in the Plan, the Estate Manager may pay the salaries, fees, and expenses of such Agents out of the Estate Assets without notice to or the approval of the Bankruptcy Court, the United States Trustee, the Committee or any Creditor. All payments to Agents shall be disclosed in the monthly reports to the Committee and the Securities and Exchange Commission pursuant to Section 3.8.2. hereof.

3.7.1 **Monthly Invoices.** Each Agent shall be paid monthly in arrears. Said Agent shall prepare an itemized invoice which shall be sent to the Estate Manager and members of the Committee. On the eleventh (11th) calendar day after the mailing of the invoice, the Estate Manager may pay the Agent such compensation and reimbursement of expenses as are consistent with this Agreement, provided that no objection to any such invoice has been received by the Estate Manager. Any Committee member may object to any invoice, in a writing sent to the Estate Manager, the Committee members, and the Professional or Agent who is the subject of the objection. In the case of an objection, the portion of the fees and expenses that are not subject to the objection shall be paid pursuant to this section 3.7.1.

3.7.2 **Objections.** Any timely objection to any Agent's fees or expenses may either (1) be resolved by agreement of the Estate Manager, vote of the Committee, and the agreement of the Agent who is the subject of the objection, or (2) upon motion to the Bankruptcy Court, to be determined as a core proceeding.

### 3.8 **Records and Reporting**

3.8.1 **Records.** The Estate Manager shall maintain good and sufficient books and records of account relating to the Estate Assets, all transactions undertaken by the Estate Manager, all expenses incurred by or on behalf of the Estate, and all distributions either contemplated or effectuated under the Plan or this Agreement.

**3.8.2 Monthly Reports.** Not more than twenty days after the end of each month, the Estate Manager shall send to each member of the Committee, Committee Counsel, Committee Accountants, the Securities and Exchange Commission and Debtors' Counsel, a written report showing the receipts and disbursements of the Estate for such prior month and, subject to any confidentiality requirements, any significant activities, changes, and transactions affecting the Estate Assets that occurred in such prior month or that are expected to occur in the near future. The monthly reports shall specify the following:

- (i) A brief narrative summary of progress made in the previous month with respect to each action from the prior month;
- (ii) A detailed summary of expenses paid in the preceding month by categories corresponding with those in the Budget, together with cumulative summaries of expenses in each Budget category;
- (iii) A breakdown, by categories corresponding to Budget categories, of fees and expenses paid to each Professional or Agent during the preceding month, together with cumulative summaries of fees and expenses in each Budget category; and
- (iv) A financial status report that reports cash receipts, asset dispositions and distributions made during the preceding month and such other information as the Committee requests.

**3.8.3 Right to Review.** No Committee member shall be excluded by reason of actual or alleged conflict from the review of fees or expenses incurred.

**3.8.4 Annual Reports.** As soon as practicable and not more than ninety days after the end of each calendar year of the Estate, the Estate Manager shall send a written report and accounting to each member of the Committee, Committee Counsel, Committee Accountants, and Debtors' Counsel that shows (a) the assets and liabilities of the Estate at the end of such calendar year, and the receipts and disbursements made by the Estate Manager for the calendar year; (b) any changes in the Estate Assets that were not previously reported; (c) any action taken by the Estate Manager in the performance of duties under this Agreement that has not previously reported and that materially affects the Estate; and (d) any other information that the Estate Manager deems advisable to report or that the Committee requests.

**3.8.5 Tax Information.** The Estate Manager shall furnish to the Creditors such information and returns with respect to any federal or state tax as shall be required by law.

**3.8.6 Additional Reports and Filings.** The Estate

Manager shall prepare and distribute such additional reports as the Estate Manager may deem useful or necessary and that may be necessary to cause the Estate Manager to be in compliance with applicable law.

**3.8.7 Additional Information.** The Estate Manager shall provide to any Creditor, at the expense of such Creditor, such information in the possession of the Estate Manager concerning the Estate as may be reasonably requested in writing and for a purpose reasonably related to such requesting Creditor's interest in the Estate, provided that nothing herein shall require the Estate Manager to disclose to any person any matter which is, or which is covered by, attorney-client privilege, joint defense privilege, attorney work product doctrine, privileged settlement discussions, confidentiality agreements, or confidential commercial information or trade secrets.

### **3.9 Liability of Estate Manager.**

**3.9.1 Standard of Care.** Except in the case of willful misconduct or gross negligence, neither the Estate Manager nor the Committee shall be liable for any loss or damage by reason of any action taken or omitted by any of them pursuant to the discretion, power, and authority conferred by this Agreement, the Plan, the Plan Agreements, or Court Orders.

**3.9.2 No Liability for Acts of Predecessors.** Except as provided in the Plan or applicable law, unless the Estate Manager expressly assumes such responsibility, no Estate Manager, nor any of the officers, employees, or Professionals or Agents engaged by the Estate Manager for the Estate, shall be personally liable for the acts or omissions of any predecessor Estate Manager, or the acts or omissions of Debtor\*s prior officers, directors, employees, agents, or professionals engaged before the Effective Date, or the acts or omissions of any Creditor or the Committee.

**3.9.3 No Committee Liability.** Neither the Committee nor any Committee member shall be personally liable for the acts or omissions of any Estate Manager, any person employed by the Estate Manager, the Debtor, any other Creditor, or the acts or omissions of Debtor\*s officers, directors, employees, agents, or professionals.

**3.9.4 No Implied Obligations.** No implied covenants or obligations of the Estate Manager shall be read into this Agreement except for those which are in the Plan or Court Orders.

**3.9.5 Advice of Professionals and Agents.** In the exercise or administration of any powers granted under this Agreement or the Plan, or in the performance of any of the Estate Manager\*s duties and obligations, the Estate Manager may consult with and act directly or through any Professionals or Agents. The Estate Manager shall not be liable for anything done, suffered or omitted in good faith in accordance with the advice or opinion of any Professionals or

Agents, so long as such advice or opinion pertains to matters that the Estate Manager may reasonably presume to be within the scope of such Professional's or Agent's expertise.

**3.9.6 Exculpation of Estate Manager.** Subject to the Plan, the Estate Manager shall have no duties or obligations to the Debtor except as set forth in the Plan and the Plan Agreements. The Estate Manager shall not be responsible for any obligations or duties of Debtor with respect to corporate governance, corporate reporting, preparation of income tax returns, or provision of information for securities law compliance, except those duties set forth in the Plan or any Plan Agreement.

**3.9.7 Indemnification of Estate Manager.** The Estate Manager shall not be liable to any individual Creditor, and shall be liable only to the Estate, for acts or omissions related to performance of his duties for the Estate. The Estate Manager shall be liable to the Estate only for such of his own acts as shall constitute willful misconduct or gross negligence. Except as aforesaid, the Estate Manager shall be defended, held harmless, and indemnified by the Estate against any and all losses, claims, costs, expenses, and liabilities (including legal fees and expenses) asserted by any person other than the Estate and any costs of defending any action brought by any person other than the Estate to which the Estate Manager may be subject by reason of his execution in good faith of his duties under the Plan and the Plan Agreements and in a manner the Estate Manager reasonably believes to be in the best interests of the Estate. This indemnity is intended to be and shall be interpreted as providing indemnity to the fullest extent permissible under California law.

**3.9.8 Indemnification of Persons Employed by Estate.** None of the officers, employees, or Professionals or Agents engaged by the Estate Manager shall be liable to any individual Creditor, and shall be liable only to the Estate for acts or omissions related to performance of their duties for the Estate. Officers and employees employed by the Estate Manager shall be liable to the Estate only for such of their own acts as shall constitute willful misconduct or gross negligence. Except as aforesaid, the officers, employees, and Professionals or Agents engaged by the Estate Manager shall be defended, held harmless, and indemnified by the Estate against any and all losses, claims, costs, expenses, and liabilities (including legal fees and expenses) asserted by any person other than the Estate and any costs of defending any action brought by any person other than the Estate to which they may be subject by reason of their execution in good faith of their duties under the Plan and the Plan Agreements and in a manner such person reasonably believes to be in the best interests of the Estate. This indemnity is intended to be and shall be interpreted as providing indemnity to the fullest extent permissible under California law.

**3.9.9 Indemnification of Committee.** Neither the Committee, nor any Committee member shall be liable to any individual Creditor, and shall be liable only to the Estate for acts or omissions related to performance of their duties for the Estate. The Committee and each Committee member shall be liable to the Estate only for such of their own acts as shall constitute willful misconduct or gross negligence. Except as aforesaid, the Committee and its members shall be defended, held harmless, and indemnified by the Estate against any and all losses,

claims, costs, expenses, and liabilities (including legal fees and expenses) asserted by any person other than the Estate and any costs or defending any action brought by any person other than the Estate to which they may be subject by reason of their execution in good faith of their duties under the Plan and the Plan Agreements and in a manner the Committee or such Committee member reasonably believes to be in the best interests of the Estate. This indemnity is intended to be and shall be interpreted as providing indemnity to the fullest extent permissible under California law.

**3.10 Estate Continuance.** The death or incompetency, resignation, or removal of an Estate Manager shall not operate to terminate the Estate, or to revoke any existing agency created pursuant to the terms of this Agreement, or to invalidate any action previously taken by the Estate Manager. In the event of the resignation or removal of the Estate Manager, such resigned or removed Estate Manager shall (a) promptly execute and deliver such documents, instruments, and other writing as may be reasonably requested by the successor Estate Manager to effect the termination of the retiring Estate Manager's capacity under this Agreement and the conveyance of the Estate Management authority then held by the retiring Estate Manager to the successor Estate Manager; and (b) otherwise assist and cooperate in effecting the assumption of his obligations and functions by such successor Estate Manager.

**3.11 Effect on Third Parties.** There is no obligation on the part of any party conducting business with the Estate Manager or any Professional or Agent of the Estate Manager to see to the application of any consideration passing to the Estate Manager or any Professional or Agent, or to inquire into the validity, expediency, or propriety of any such transaction by the Estate Manager or any Professional or Agent of the Estate Manager.

**3.12 Compensation and Term Of Estate Manager.** The Estate Manager shall be entitled to compensation and reimbursement of expenses as an expense of the Estate. The fees of the Estate Manager shall be as follows:

For first six months following the Effective Date: \$150,000 (\$25,000 per month).

For second six months following the Effective Date and thereafter, or upon agreement with the Committee: \$150,000 (\$25,000 per month) at \$175.00 per hour. For all purposes, the Estate Manager shall be deemed an independent contractor with respect to the Estate and not an employee of the Debtor or the Estate. The expenses of the Estate Manager shall be consistent with the Budget, as it may be amended and extended with the consent of the Committee.

**3.13 Resignation Or Removal Of Estate Manager.** The Estate Manager shall have the right to resign or may be removed by 2/3ds vote of the Committee and 20 days' advance notice. If the Estate Manager is removed by a Committee vote without cause, he shall be paid a severance payment of \$50,000. Upon resignation, removal, or the end of its term, the Estate Manager shall be discharged from his duties by giving written notice to the Committee. Such discharge from duties as Estate Manager shall become effective upon the

appointment of a successor Estate Manager in accordance with this Agreement and the successor's acceptance of such appointment, whichever is earlier.

3.14 **Rights And Powers Of Successor Estate Manager.** Any successor Estate Manager may be appointed by vote of the Committee and approval by the Bankruptcy Court as provided herein. After removal or resignation of an Estate Manger, if the Committee does not timely vote to replace the Estate Manager, any Committee member may move the Bankruptcy Court to appoint a replacement Estate Manager, which Motion shall be served on the Committee members and their counsel, counsel for Debtor, and the removed or resigning Estate Manager. Upon such appointment being made by vote of the committee or by the Bankruptcy Court, the successor Estate Manager shall immediately succeed to all title of the Estate Manager and all powers, rights, discretions, obligations, immunities, and indemnifications of the Estate Manager under this Agreement with the same affect as though such successor Estate Manager was originally named as Estate Manager under this Agreement; provided that the Committee and the successor Estate Manager may agree to a different fee amount and Budget.

#### **ARTICLE IV RIGHTS, POWERS AND DUTIES OF CREDITORS AND THE COMMITTEE**

4.1 **Creditors' Interests.** No Creditor shall have any title in or to the Estate or the Estate Assets, or any right to call for a partition or division of the same.

4.2 **Record Date.** The date of record for determining the entitlement of any Creditor to notice or to participate in a particular distribution may be fixed by the Estate Manager, but such record date shall not be more than thirty days nor less than ten days before the date upon which any notice is to be given or distribution is to be made, as applicable.

4.3 **Conflicting Claims.** In the event the Estate Manager becomes aware of any disagreement or conflicting claims with respect to the Estate Assets, or if the Estate Manager in good faith is in doubt as to any action that should be taken under the Plan or this Agreement, the Estate Manager shall have the right to do any or all of the following:

(a) To the extent of such disagreement or conflict and subject to Article 3 hereof, to establish or increase reserves of Estate cash or other assets, or to stop all further distributions of Estate Assets, until the Estate Manager is satisfied that such disagreement or conflicting claims have been resolved; or

(b) File a motion or adversary proceeding in the Bankruptcy Court and obtain an order requiring all persons and parties with conflicting claims to submit for determination by the Bankruptcy Court their respective claims arising out of or in connection with the Debtor or the Estate; or

(c) File any other appropriate motion, request for instructions, or claim for relief in the Bankruptcy Court.

4.4 **Creation And Composition Of Committee.** The Committee shall be the Unsecured Creditors' Committee as it is constituted on the Effective Date.

4.5 **Powers Of Committee.** The Committee shall have the powers expressly set forth in this Agreement, the Plan, or the Committee Bylaws, including but not limited to:

- (a) remove the Estate Manager and any successor Estate Manager with or without cause upon a 2/3ds vote of the Committee;
- (b) appoint a replacement Estate Manager;
- (c) appoint or remove members from the Committee; and
- (d) amend this Agreement in any manner consistent with the Plan, the Bankruptcy Code and Rules, and Court Orders or such notice as the Bankruptcy Court may require.

## **ARTICLE V TAX AND FISCAL MATTERS**

5.1 **Income Tax Status.** The Estate Manager is authorized to take any action that may be necessary or appropriate to minimize any potential tax liability of Debtors and the Estate.

5.2 **Tax Returns and Reports.** The Estate Manager shall cause to be prepared and filed in a timely manner such federal, state or local tax returns as are required by applicable law and the Estate shall pay any taxes shown as due thereon. Within thirty (30) days after the end of each calendar year, the Estate Manager shall cause to be prepared and mailed to the Creditors (or any other entity which may incur taxes on account of income generated by the Estate) such other information as may be requested in writing to enable the Creditors, or such other entity, to complete federal and state income tax returns.

5.3 **Withholding.** The Estate Manager shall withhold from the amount distributable from the Estate at any time to any Creditor to the extent withholding is required by any law, regulation, rule, ruling, directive, or other governmental requirement. Any amount so withheld shall be treated as having been paid to such Creditor for purposes of the Plan and this Agreement.

5.4 **Tax Identification Number.** The Estate Manager may require any Creditor to furnish to the Estate Manager its Employer or Taxpayer Identification Number as

assigned by the Internal Revenue Service, and the Estate Manager may condition any distribution to any Creditor upon receipt of such identification number.

5.5 **Tax And Fiscal Year.** Unless otherwise required by the Internal Revenue Code, the taxable and fiscal year of the Estate shall be the fiscal year of Natural Wonders, Inc.

## **ARTICLE VI MISCELLANEOUS PROVISIONS**

6.1 **Applicable Law.** This Agreement shall be construed, regulated, and administered under the laws of the State of California and the United States of America; provided, however, that the Estate Manager and any interpretation or enforcement of the provisions of this Agreement shall be subject to the jurisdiction of the Bankruptcy Court.

6.2 **No Relationship Created.** Nothing contained herein shall be construed so as to create any association, partnership, or joint venture of any kind.

6.3 **Interpretations.** The enumeration and headings contained in this Agreement are for convenience of reference only and are not intended to have any substantive significance in interpreting the same. Unless the context otherwise requires, whenever used in this Agreement the singular shall include the plural and the plural shall include the singular.

6.4 **Partial Invalidity.** If any provision of this Agreement is held to be illegal, invalid, inconsistent with the Plan, or unenforceable under the present or future laws effective during the term of this Agreement, such provision shall be fully severable and this Agreement shall be construed and enforced as if such provision had never comprised a part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the provision or by its severance from this Agreement. Furthermore, in lieu of such provision, there shall be deemed to be added automatically to this Agreement a provision as similar in its terms to such provision as may be possible while still being legal, valid, and enforceable.

6.5 **Entire Agreement.** This Agreement (including the recitals and the Exhibits hereto), the Plan, and the Court Orders constitute the entire agreement by and among the parties, and there are no representations, warranties, covenants, or obligations except as set forth herein and therein. This Agreement, the Plan, and the Court Orders supersede all prior and contemporaneous agreements, understandings, negotiations, and discussions, written or oral, if any, of the parties hereto relating to any transaction contemplated hereunder. Except as otherwise specifically provided herein in the Plan or the Court Orders, nothing in this Agreement is intended or shall be construed to confer upon or to give any person other than the parties hereto and the Creditors any rights or remedies under or by reason of this Agreement.

6.6 **Counterparts.** This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original document, but all of which counterparts shall together constitute one and the same instrument.

6.7 **Effective Date.** This Agreement, and the authority of the Estate Manager shall become effective on the Effective Date of the Plan.

6.8 **Filing.** The Estate Manager shall file a copy of this Agreement with the Clerk of the Bankruptcy Court, and a memorandum of this Agreement may be recorded in such other governmental office as the Estate Manager may determine to be necessary or desirable.

6.9 **Notices.** Any notice or other communication to or from the Estate Manager or the Committee or the members thereof shall be in writing and shall be deemed to have been sufficiently given, for all purposes, if transmitted by facsimile, or delivered by overnight delivery service, or deposited postage prepaid with the United States Postal Service, addressed as set forth in the Plan or the Disclosure Statement to the extent such Person's address is identified in such documents, or at such other address as the parties hereto shall have last designated by notice to the other parties. Any item so addressed shall be deemed to have been delivered on the earlier of (1) one business day after transmission by facsimile, (2) one business day after deposit with an overnight delivery service, or (3) the third business day after which it was so mailed.

6.10 **Jurisdiction In The Bankruptcy Court.** As provided in the Plan and the Confirmation Order, the Bankruptcy Court has retained jurisdiction over the Debtor, the Estate, and the Estate Manager, including, without limitation, the determination of all controversies and disputes arising under, related to, or in connection with this Agreement. With respect to any action or proceeding relating to the interpretation or enforcement of this Agreement, the Services Contract, the Committee Bylaws, the Plan or the Court orders, the Estate Manager and the Committee, for itself and on behalf of the Estate agree that the Bankruptcy Court shall have exclusive jurisdiction and venue to determine such action or proceeding, as a core proceeding and without a jury trial.

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

ESTATE MANAGER:

By: \_\_\_\_\_  
Name: \_\_\_\_\_

The Official Unsecured Creditors' Committee in the  
Reorganization Case of Natural Wonders, Inc.

By: \_\_\_\_\_  
Name: John Nash  
Title: Chairman

Natural Wonders, Inc.

By: \_\_\_\_\_  
Name: Peter G. Hanelt  
Title: President

World of Science, Inc.

By: \_\_\_\_\_  
Name: Peter G. Hanelt  
Title: President

**NATURAL WONDERS, INC. AND WORLD OF SCIENCE, INC.**

**ESTATE MANAGEMENT AGREEMENT**

**EXHIBIT "1"**

## TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I    DEFINITIONS .....	1
1.1    Certain Additional Defined Terms .....	1
1.2    Generally .....	2
ARTICLE II    ESTATE MANAGEMENT .....	2
2.1    Purpose of Estate Management Agreement .....	2
2.2    Appointment and Acceptance of Estate Manager .....	2
2.3    Termination of this Agreement .....	3
ARTICLE III    RIGHTS, POWERS, AND DUTIES OF THE ESTATE MANAGER .....	3
3.1    Management .....	3
3.2    Powers of the Estate Manager .....	3
3.3    Court Approvals; Notice and Opportunity for Hearing .....	5
3.4    Payment of Expenses and Other Liabilities .....	5
3.5    Disbursing Agent, Reserves, Cash Management .....	6
3.5.1    Change in Reserves .....	6
3.5.2    Banking Relations .....	6
3.6    Assets Distributable to Unlocated Creditors .....	6
3.7    Employment of Agents .....	6
3.7.1    Monthly Invoices .....	7
3.7.2    Objections .....	7
3.8    Records and Reporting .....	7
3.8.1    Records .....	7
3.8.2    Monthly Reports .....	7
3.8.3    Right to Review .....	8
3.8.4    Annual Reports .....	8
3.8.5    Tax Information .....	8
3.8.6    Additional Reports and Filings .....	8
3.8.7    Additional Information .....	8
3.9    Liability of Estate Manager .....	9
3.9.1    Standard of Care .....	9
3.9.2    No Liability for Acts of Predecessors .....	9
3.9.3    No Committee Liability .....	9
3.9.4    No Implied Obligations .....	9

3.9.5	Advice of Professionals and Agents	9
3.9.6	Exculpation of Estate Manager	9
3.9.7	Indemnification of Estate Manager	10
3.9.8	Indemnification of Persons Employed by Estate	10
3.9.9	Indemnification of Committee	10
3.10	Estate Continuance	11
3.11	Effect on Third Parties	11
3.12	Compensation and Term Of Estate Manager	11
3.13	Resignation Or Removal Of Estate Manager	11
3.14	Rights And Powers Of Successor Estate Manager	12
ARTICLE IV RIGHTS, POWERS AND DUTIES OF CREDITORS		12
4.1	Creditors' Interests	12
4.2	Record Date	12
4.3	Conflicting Claims	12
4.4	Creation And Composition Of Committee	13
4.5	Powers Of Committee	13
ARTICLE V TAX AND FISCAL MATTERS		13
5.1	Income Tax Status	13
5.2	Tax Returns and Reports	13
5.3	Withholding	14
5.4	Tax Identification Number	14
5.5	Tax And Fiscal Year	14
ARTICLE VI MISCELLANEOUS PROVISIONS		14
6.1	Applicable Law	14
6.2	No Relationship Created	14
6.3	Interpretations	14
6.4	Partial Invalidity	14
6.5	Entire Agreement	15
6.6	Counterparts	15
6.7	Effective Date	15
6.8	Filing	15
6.9	Notices	15
6.10	Jurisdiction In The Bankruptcy Court	16