

PATENT ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

SUBMISSION TYPE:

NEW ASSIGNMENT

NATURE OF CONVEYANCE:

SECURITY AGREEMENT

CONVEYING PARTY DATA

Name	Execution Date
Connector Set Limited Partnership	07/20/2006

RECEIVING PARTY DATA

Name:	PNC Bank, National Association
Street Address:	1600 Market Street
City:	Philadelphia
State/Country:	PENNSYLVANIA
Postal Code:	19103

PROPERTY NUMBERS Total: 67

Property Type	Number
Patent Number:	5061219
Patent Number:	5137486
Patent Number:	5199919
Patent Number:	5350331
Patent Number:	5423707
Patent Number:	5346420
Patent Number:	5421762
Patent Number:	5368514
Patent Number:	5427559
Patent Number:	5518435
Patent Number:	D383509
Patent Number:	D394286
Patent Number:	D388475
Patent Number:	D395469
Patent Number:	D389203

PATENT

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REEL: 018039 FRAME: 0115

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Patent Number:	D392555
Patent Number:	D391843
Patent Number:	D393417
Patent Number:	5913706
Patent Number:	D393496
Patent Number:	D393670
Patent Number:	D391921
Patent Number:	5904606
Patent Number:	5738558
Patent Number:	6089941
Patent Number:	D400604
Patent Number:	D404089
Patent Number:	D404775
Patent Number:	D431611
Patent Number:	D403722
Patent Number:	D415098
Patent Number:	D404088
Patent Number:	D400602
Patent Number:	D400603
Patent Number:	D400606
Patent Number:	D404090
Patent Number:	D406568
Patent Number:	6086444
Patent Number:	D412020
Patent Number:	D420062
Patent Number:	D420711
Patent Number:	D426588
Patent Number:	6068533
Patent Number:	D423606
Patent Number:	6193582
Patent Number:	6286649
Patent Number:	6312305
Patent Number:	6460527
Patent Number:	6581931
Patent Number:	6746298

Patent Number:	6676474
Patent Number:	6573465
Patent Number:	6620022
Patent Number:	6630635
Patent Number:	7037165
Patent Number:	6843700
Application Number:	10776408
Patent Number:	D506063
Patent Number:	7044825
Application Number:	11049809
Application Number:	11101894
Application Number:	11146971
Patent Number:	4897292
Patent Number:	5111959
Patent Number:	D513047
Application Number:	11022902
Application Number:	29262651

CORRESPONDENCE DATA

Fax Number: (215)832-5767
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
 Phone: 215-569-5767
 Email: perry@blankrome.com
 Correspondent Name: David M. Perry
 Address Line 1: One Logan Square
 Address Line 2: 9th Floor
 Address Line 4: Philadelphia, PENNSYLVANIA 19103-6998

ATTORNEY DOCKET NUMBER:	074658-01230
NAME OF SUBMITTER:	David M. Perry

Total Attachments: 22

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PATENT SECURITY AGREEMENT

This Patent Security Agreement ("Agreement") is made this 20th day of July, 2006, by **CONNECTOR SET LIMITED PARTNERSHIP**, a Delaware limited partnership, having a mailing address at 2990 Bergey Road, Hatfield, Pennsylvania 19440 ("Grantor") and delivered to **PNC BANK, NATIONAL ASSOCIATION** having a mailing address at 1600 Market Street, Philadelphia, PA 19103, Attn: O. Theodore Kuber ("Agent") as agent for the Lenders under the Credit Agreement (as defined below).

Background

A. This Agreement is being executed in connection with that certain Revolving Credit, Term Loan and Security Agreement among Agent, the financial institutions which are now or which hereafter become a party thereto as Lenders and the Grantor, as Borrower therein, of even date herewith (as it may hereafter be amended, modified, restated or replaced from time to time, the "Credit Agreement"). Capitalized terms not defined herein shall have the meanings given to such terms in the Credit Agreement.

B. As security for all Obligations, Grantor is granting Agent, for the benefit of Lenders, a lien on and security interest in certain assets of Grantor associated with or relating to services or products sold under Grantor's Patent Collateral (as defined herein), and under which Lender is entitled to foreclose or otherwise deal with such assets under the terms and conditions set forth therein in the Credit Agreement.

C. Grantor owns (i) the United States Letters Patent and the inventions described and claimed therein set forth on **Schedule A** hereto and the patents issued by jurisdictions and/or patent authorities other than the United States and the inventions described and claimed therein set forth on **Schedule B** hereto (hereinafter referred to collectively as the "Patents") and (ii) the applications for Letters Patent and the inventions described and claimed therein set forth on **Schedule A** hereto and any United States Letters Patent which may be issued upon any of said applications and the applications to any jurisdictions and/or patent authorities other than the United States and the inventions described and claimed therein set forth on **Schedule B** hereto and any patents which may be issued upon any of said applications (hereinafter referred to collectively as the "Applications"). In conjunction with the Patents and Applications, Grantor may use or adopt any reissues, extensions, divisions, continuations, and continuations-in-part of the Patents or Applications (such reissues, extension, divisions, continuations, and continuations-in-part being herein referred to collectively as the "Reissued Patents"); and may be entitled to all future royalties or other fees paid or payments made to Grantor in respect of the Patents (hereinafter referred to collectively as the "Royalties"). The Patents, Applications, Reissued Patents and Royalties are herein referred to collectively as the "Patent Rights".

D. Grantor and Agent desire to have the security interest of Agent for the benefit of Lenders in such Patent Collateral confirmed by a document identifying same and in such form

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that it may be recorded in the United States Patent and Trademark Office and/or The Patent Office of Canada, as applicable.

NOW THEREFORE, with the foregoing Background hereinafter deemed incorporated by reference and made a part hereof, and in consideration of the premises and mutual promises herein contained, the parties hereto, intending to be legally bound hereby, covenant and agree as follows:

1. In consideration of and pursuant to the terms of the Credit Agreement and the Other Documents, and for other good, valuable and sufficient consideration, the receipt of which is hereby acknowledged, and to secure the payment and performance of all of the Obligations of Grantor under the Credit Agreement, Grantor grants a lien on and security interest to Agent for the benefit of Lenders in all of the Patent Rights and all proceeds thereof (including license royalties) and all the right, title, interest, claims and demands that Grantor has or may have in profits and damages for past and future infringements of the Patent Rights, and the proceeds thereof, including, without limitation, license royalties and proceeds of infringement suits (such rights, interest, claims and demand being herein called the "Claims") (the Patent Rights and Claims are collectively referred to as the "Patent Collateral").

2. Grantor hereby covenants and agrees to maintain the Patent Collateral in full force and effect, except to the extent otherwise provided by the Credit Agreement, and to otherwise perform all of its obligations and undertakings under this Agreement until all of the Obligations of Grantor are indefeasibly paid and satisfied in full and the Credit Agreement and the obligations of the Lenders under the Credit Agreement to make Advances ("the Revolving Credit Commitments") have been terminated.

3. Grantor represents, warrants and covenants to Agent that:

(a) To the Grantor's knowledge, the Patent Collateral is subsisting and has not been adjudged invalid or unenforceable;

(b) To the Grantor's knowledge, all of the Patents are issued, and are valid and enforceable;

(c) To the Grantor's knowledge, Grantor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to the Patent Collateral, and all of the Patent Collateral is free and clear of any liens, claims, charges, encumbrances and licenses including, without limitation, pledges, assignments, options, and covenants by Grantor not to sue third persons, other than Permitted Encumbrances;

(d) Grantor has the full right, power and authority to enter into this Agreement and perform its terms;

(e) Grantor has complied with, and will continue for the duration of this Agreement to comply with the requirements set forth in 35 U.S.C. §1 et seq., and any other applicable statutes, rules and regulations in connection with its use of the Patent Collateral;

(f) Grantor has no notice of any suits or actions commenced or threatened against it, or notice of claims or demands asserted or threatened against it, with reference to the Patent Collateral; and

(g) Grantor has used and will continue to use for the duration of this Agreement, consistent standards of quality in services or products which are made, which use, or which are leased or sold under the Patent Collateral and hereby grants, to Lender and its employees and agents the right (with no obligation of any kind upon Lender to do so) to visit Grantor's affiliates, franchises or management locations and to inspect the use of the Patent Collateral and quality control records relating thereto at reasonable times during regular business hours to ensure Grantor's compliance with this paragraph 3(g).

4. Grantor further covenants that:

(a) Until all of the Obligations of Grantor have been indefeasibly paid and satisfied in full and the Credit Agreement and Revolving Credit Commitments have been terminated, Grantor will not enter into any agreement which is inconsistent with the obligations of Grantor under this Agreement, the Obligations of Grantor under the Credit Agreement or which may restrict or impair the rights or priorities of Agent hereunder.

(b) If Grantor acquires rights of ownership to any new Patents or Applications not listed on Schedule "A" attached hereto or Schedule "B" hereto, as applicable, ("Additional Patents"), then (i) the provisions of this Agreement shall be deemed to automatically apply thereto and such Additional Patents shall be deemed part of the Patent Collateral, (ii) Grantor shall give Agent written notice promptly upon its first use thereof, and (iii) Grantor shall promptly deliver to Agent with respect to such Additional Patents a Supplement to Patent Security Agreement in the form attached hereto as Exhibit II, duly completed and executed by Grantor and accompanied by a fully completed Schedule A-1/Schedule B-1 with respect to such Additional Patents. Each such Schedule A-1/ Schedule B-1 attached to each such Supplement to Patent Security Agreement shall be incorporated and become part of Schedule A/Schedule B attached hereto and all references to Schedule A/Schedule B contained in this Agreement shall be deemed, for all purposes, to also include each such Schedule A-1/Schedule B-1.

5. So long as this Agreement is in effect and so long as Grantor has not received notice from Agent that an Event of Default has occurred and is continuing under the Credit Agreement and that Agent has elected to exercise its rights hereunder, (i) Grantor shall continue to have the right to make, use, or sell, as the case may be, products or services employing the Patent Collateral; and (ii) Agent shall have no right to make, use (except in the ordinary course of business), or sell, as the case may be, products or services employing the Patent Collateral, or

to issue any exclusive or non-exclusive license with respect thereto, or assign, pledge or otherwise transfer title in the Patent Collateral to anyone else.

6. Grantor agrees not to sell, grant any license, grant any option, assign or further encumber its rights and interest in the Patent Collateral without the prior written consent of Agent or as may be expressly permitted under the Credit Agreement; provided, that the Grantor may grant licenses of the Patents in the ordinary course of business.

7. Following the occurrence and during the continuance of an Event of Default under the Credit Agreement (including without limitation an Event of Default arising from any failure of Grantor to comply with any covenant or undertaking under this Agreement), Agent, as the holder of a security interest under the Uniform Commercial Code, as now or hereafter in effect in the jurisdiction whose law governs the interpretation of the Credit Agreement, may take such action permitted under the Credit Agreement and Other Documents, hereunder or under any law, in its exclusive discretion, to record, foreclose upon or otherwise exercise its rights against the Patent Collateral covered hereby. For such purposes, and only following the occurrence and during the continuance of an Event of Default, Grantor hereby authorizes, appoints and empowers Agent, its successors and assigns, and any officer or agent of Agent as Agent may select, in its exclusive reasonable discretion, as the true and lawful attorney-in-fact of Grantor, with the power to endorse the name of Grantor on all applications, documents, papers and instruments necessary for Agent to record its interest in any Patent Collateral or Additional Patents in the United States Patent and Trademark Office or in the patent office of any jurisdiction or patent authority other than the United States, as applicable, including, without limitation, the power to execute on behalf of Grantor a Supplement to Patent Security Agreement, to use the Patent Collateral or to grant or issue any exclusive or non-exclusive license under the Patent Collateral to anyone else, or necessary for Agent to assign, pledge, convey or otherwise transfer title in or dispose of the Patent Collateral to anyone else including, without limitation, the power to execute on behalf of Grantor an assignment of Patent Collateral in the form attached hereto as **Exhibit I**. Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof following the occurrence and during the continuance of an Event of Default and otherwise in accordance with the terms hereof, except for the gross negligence or willful misconduct of such attorney. This power of attorney shall be irrevocable for the life of this Agreement, the Credit Agreement, Other Documents, and until all of the Obligations of Grantor are indefeasibly paid and satisfied in full and the Credit Agreement and the Revolving Credit Commitments are terminated.

8. This Agreement shall be subject to the terms, provisions, and conditions set forth in the Credit Agreement and may not be modified without the written consent of the parties hereto.

9. All rights and remedies herein granted to Agent shall be in addition to any rights and remedies granted to Agent under the Credit Agreement and Other Documents and shall be

cumulative. In the event of an inconsistency between this Agreement and the Credit Agreement, the language of the Credit Agreement shall control.

10. Upon full and unconditional satisfaction and performance of all of the Obligations of Grantor and termination of the Credit Agreement and the Revolving Credit Commitments, Agent shall execute and deliver to Grantor all documents reasonably necessary to terminate the security interest of Agent in the Patent Collateral.

11. Any and all fees, costs and expenses, of whatever kind or nature, including reasonable attorneys' fees and reasonable legal expenses incurred by Agent in connection with the preparation of this Agreement and all other documents relating hereto and the consummation of this transaction, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances or costs otherwise incurred in protecting, maintaining, preserving the Patent Collateral, or in defending or prosecuting any actions or proceedings arising out of or related to the Patent Collateral, or in defending, protecting, enforcing or terminating the rights of Agent hereunder, in each case in accordance with the terms of this Agreement, shall be borne and paid by Grantor on demand by Agent and until so paid shall be added to the principal amount of the Obligations of Grantor and shall bear interest at the rate then applicable to Revolving Advances from time to time under the Credit Agreement.

12. Subject to any applicable terms of the Credit Agreement, Grantor shall have the duty to prosecute diligently any application with respect to the Patent Collateral pending as of the date of this Agreement or thereafter, and to maintain all rights in the Patent Collateral, except to the extent otherwise provided by the Credit Agreement and upon the reasonable request of Agent, Grantor shall make the appropriate application regarding Patent Collateral belonging to Grantor. Any expenses incurred in connection with such applications shall be borne exclusively by Grantor. Grantor shall not abandon or fail to maintain any Patent Collateral without the prior written consent of the Agent or except to the extent otherwise permitted by the Credit Agreement.

13. Grantor shall have the right to bring suit in its own name to enforce the Patent Collateral, in which event Agent may, if Grantor reasonably deems it necessary, be joined at Grantor's sole expense as a nominal party to such suit if Agent shall have been satisfied, in its sole discretion, that it is not thereby incurring any risk of liability because of such joinder. Grantor shall promptly, upon demand, reimburse and indemnify Agent for all damages, costs and expenses, including reasonable attorneys' fees and costs, incurred by Agent in the fulfillment of the provisions of this paragraph.

14. If an Event of Default has occurred and is continuing under the Credit Agreement, Agent may, without any obligation to do so, complete any obligation of Grantor hereunder, in the name of Grantor or in the name of Agent, but at the expense of Grantor, and Grantor hereby agrees to reimburse Agent in full for all costs and expenses, including, without limitation, all

reasonable attorneys' fees, incurred by Agent in protecting, defending and maintaining the Patent Collateral.

15. No course of dealing between Grantor and Agent, nor any failure to exercise, nor any delay in exercising, on the part of Agent, any right, power or privilege hereunder, shall operate as a waiver thereof, and all of the rights and remedies of Agent with respect to the Patent Collateral, whether established hereby or by the Credit Agreement and Other Documents, or by any other future agreements between Grantor and Agent or by law, shall be cumulative and may be exercised singularly or concurrently.

16. The provisions of this Agreement are severable and the invalidity or unenforceability of any provision herein shall not affect the remaining provisions which shall continue unimpaired and in full force and effect.

17. This Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

18. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA WITHOUT REFERENCE TO ITS CONFLICTS OF LAWS RULES. Any judicial proceeding brought by or against any Grantor with respect to this Agreement or any related agreement may be brought in any court of competent jurisdiction located in the Commonwealth of Pennsylvania, and, by execution and delivery of this Agreement, Grantor accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. Grantor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by internationally recognized overnight courier directed to Grantor at its address set forth in Section 16.6 of the Credit Agreement and service so made shall be deemed completed when actually received by Grantor. Nothing herein shall affect the right to serve process in any manner permitted by law or shall limit the right of Agent or any Lender to bring proceedings against Grantor in the courts of any other jurisdiction. Grantor waives any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. Any judicial proceeding by Grantor against Agent or any Lender involving, directly or indirectly, any matter or claim in any way arising out of, related to or connected with this Agreement or any related agreement, shall be brought only in a federal or state court located in the County of Philadelphia, Commonwealth of Pennsylvania.

19. GRANTOR AND AGENT AND LENDERS, BY ACCEPTANCE HEREOF, HEREBY EXPRESSLY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING UNDER THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR (B) IN ANY WAY CONNECTED WITH

OR RELATED OR INCIDENTAL TO THE DEALINGS OF GRANTOR, LENDERS AND/OR AGENT OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE AND GRANTOR AND AGENT AND LENDERS, BY ACCEPTANCE HEREOF, HEREBY CONSENT THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT GRANTOR, AGENT AND/OR LENDERS MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF GRANTOR TO THE WAIVER OF THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY.

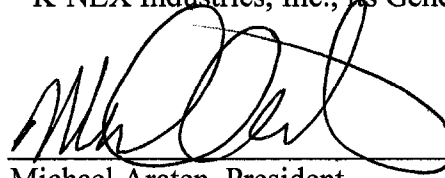
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IN WITNESS WHEREOF, and intending to be legally bound the parties hereto have executed and delivered this Patent Security Agreement, under seal, the day and year first above written.

CONNECTOR SET LIMITED PARTNERSHIP

By: K'NEX Industries, Inc., its General Partner

By:



Michael Araten, President

Approved:

PNC BANK, NATIONAL ASSOCIATION,

As Agent

By:



Diane M. Shaak, Vice President

(Signature Page to Patent Security Agreement)

CORPORATE ACKNOWLEDGMENT

UNITED STATES OF AMERICA :
COMMONWEALTH OF PENNSYLVANIA : SS
COUNTY OF PHILADELPHIA :

On this 20 of July, 2006, before me personally appeared **MICHAEL ARATEN**, to me known and being duly sworn, deposes and says that he is authorized to sign on behalf of K'NEX Industries, Inc., the general partner of **CONNECTOR SET LIMITED PARTNERSHIP**; that he signed the Agreement thereto pursuant to the authority vested in him by law; that the within Agreement is the voluntary act of such limited partnership; and he desires the same to be recorded as such.



Notary Public

COMMONWEALTH OF PENNSYLVANIA

Notarial Seal
Robert A. Peiper, Notary Public
City Of Philadelphia, Philadelphia County
My Commission Expires Aug. 23, 2009

Member, Pennsylvania Association of Notaries

(Acknowledgement to Patent Security Agreement)

SCHEDULE A

Title	Patent No. (Serial No.)	Country	Issue Date (Filing Date)
Construction Toy	5,061,219	USA	10/29/91
Multi-Planar Connector Element for Const. Toy	5,137,486	USA	08/11/92
Const. Toy System	5,199,919	USA	04/06/93
Const. Toy System	5,350,331	USA	09/27/94
Motor Installation for Const. Toy System	5,423,707	USA	06/13/95
Gearing & Drive Mechanism for Const. Toy System	5,346,420	USA	09/13/94
Vehicle Track for Const. Toy System	5,421,762	USA	06/06/95
Vehicle Track Support for Const. Toy System	5,368,514	USA	11/29/94
Chain Support for Const. Toy System	5,427,559	USA	06/27/95
Motor Installation for Const. Toy System	5,518,435	USA	05/21/96
Motor Drive for Const. Toy System	D-383,509	USA	09/09/97
Spring Driven Motor for Const. Toy System	D-394,286	USA	05/12/98
Large Multipurpose Gear for Const. Toy System	D-388,475	USA	12/30/97
Right Angle Gear for Const. Toy System	D-395,469	USA	06/23/98
Robot Toy Figure	D-389,203	USA	01/13/98
Connector w/Rod Socket & Ball	D-392,555	USA	03/24/98
Connector w/Rod Socket & Ball	D-391,843	USA	03/10/98
Swivel Connector w/Rod Socket & Ball Socket	D-393,417	USA	04/14/98
Articulated Sectional Toy Figure	5,913,706	USA	06/22/99
Torso for Robotic Toy Figure	D-393,496	USA	04/14/98
Head Assembly for Robotic Toy Figure	D-393,670	USA	04/21/98
Solar Panel Design	D-391,921	USA	03/10/98

(Schedule A to Patent Security Agreement)

Solar Panel for Const. Toy System	5,904,606	USA	05/18/99
Solar Motor for Const. Toy System	5,738,558	USA	04/14/98
Panels for Const. Toy Set	6,089,941	USA	07/18/00
Rectangular Panel for Const. Toy Set	D-400,604	USA	11/03/98
Triangular Panel for Const. Toy Set	D-404,089	USA	01/12/99
Rectangular Panel for Const. Toy Set	D-404,775	USA	01/26/99
Flywheel Toy Race Car	D-431,611	USA	10/03/00
Motor Housing for Const. Toy Set	D-403,722	USA	01/05/99
Battery Housing for Const. Toy Set	D-415,098	USA	10/12/99
Triangular Panel for Const. Toy Set	D-404,088	USA	01/12/99
Rectangular Panel for Const. Toy Set	D-400,602	USA	11/03/98
Triangular Panel for Const. Toy Set	D-400,603	USA	11/03/98
Triangular Panel for Const. Toy Set	D-400,606	USA	11/03/98
Rectangular Panel for Const. Toy Set	D-404,090	USA	01/12/99
Dual Remote Controller	D-406,568	USA	03/09/99
Block-type Const. Toy	6,086,444	USA	07/11/00
Vehicle Wheel for Const. Toy Set	D-412,020	USA	07/13/99
Single Stud Construction Toy Block	D-420,062	USA	02/01/00
Dual Stud Const. Toy Block	D-420,711	USA	02/15/00
Treble Stud Const. Toy Block	D-426,588	USA	06/13/00
Slotted Panel Element for Multi-part Const. Toy	6,068,533	USA	05/30/00
Slotted Panel	D-423,606	USA	04/25/00
Shock Absorber for Toy Vehicles	6,193,582	USA	02/27/01
Unidirectional Rotary Drive Mechanism for Multi-part Const. Toy	6,286,649	USA	09/11/01
Structure Forming Construction Element for Toy Log Building Set	6,312,305	USA	11/06/01
Toy Projectile System	6,460,527	USA	10/08/02

(Schedule A to Patent Security Agreement)

Game Board Structure for Const. Toy System	6,581,931	USA	06/24/03
Track Structure for Const. Toy Set	6,746,298	USA	06/08/04
Rod and Connector Toy Const. Set	6,676,474	USA	01/13/04
Contact Switch	6,573,465	USA	06/03/03
Drive Mechanism for Toy Racing Car	6,620,022	USA	09/16/03
Universal Contact Switch	6,630,635	USA	10/07/03
Container for Holding Component Parts of a Const. Toy	7,037,165	USA	05/02/06
Rod and Connector Toy Const. Set	6,843,700	USA	01/18/05
Mobile Parts Box with Scoop	10/776,408	USA	02/10/04
Toy Container	D-506,063	USA	06/14/05
Panel & Girder System for Const. Toy	7,044,825	USA	01/27/04
Flex-K'Nex	11/049,809	USA	02/03/05
Hinged Connector	11/101,894	USA	04/08/05
Micro-K'Nex	11/146,971	USA	06/07/05
Micro-K'Nex	PCT/US2006/011550	PCT (incl. USA)	03/30/06
X-Stud	29/262,651	USA	07/07/06

RODON DIVISION

Branch Holder	4,897,292	USA	01/30/90
Follow Block	5,111,959	USA	05/12/90
Golf Putter Head	D-513,047	USA	12/20/05
Adjustable Weight Putter	11/022,902	USA	12/27/04
Adjustable Weight Putter	PCT/US05/45942	PCT (incl. USA)	12/15/05

(Schedule A to Patent Security Agreement)

SCHEDULE B

Title	Patent No. (Serial No.)	Country	Issue Date (Filing Date)
Construction Toy	247,344	Argentina	12/29/94
Construction Toy	650,344	Australia	09/24/91
Construction Toy	PI9105342	Brazil	12/11/91
Construction Toy	2,051,905	Canada	04/07/98
Construction Toy	ZL 91111486.6	China	09/28/98
Construction Toy	282479	Czech Republic	05/28/97
Construction Toy	490,033	EPO (Austria, Belgium, Szitzerland, Germany, Denmark, Spain, France, UK, Greece, Italy, Netherlands, Sweden)	07/12/95
Construction Toy	94493	Finland	09/25/95
Construction Toy	70/1996	Hong Kong	01/18/96
Construction Toy	215,667	Hungary	12/10/91
Construction Toy	184,963	India	09/10/91
Construction Toy	99621	Israel	10/01/91
Construction Toy	2,667,939	Japan	12/11/91
Construction Toy	132,210	Korea	11/25/91
Construction Toy	179,058	Mexico	08/04/95
Construction Toy	239,996	New Zealand	09/30/91
Construction Toy	179,545	Norway	10/30/96
Construction Toy	170,691	Poland	02/08/96
Construction Toy	2085245	Russia	07/27/97
Construction Toy	9591998-1	Singapore	09/24/91
Construction Toy	279,903	Slovak Republic	11/13/91
Construction Toy	60891	Taiwan	02/21/93
Motor Installation for Const. Toy System	673,590	Australia	02/02/94
Motor Installation for Const. Toy System	2,134,478	Canada	01/20/98
Motor Installation for Const. Toy System	0691874	EPO (Germany, France, Great Britain)	02/02/94
Motor Installation for Const. Toy System	108,412	Israel	01/23/94
Vehicle Track for Const. Toy System	ZL 94192850.0	China	06/08/94
Motor Installation for Const. Toy System	0712325	EPO (Germany, France, Great Britain)	06/08/94

(Schedule B to Patent Security Agreement)

Motor Installation for Const. Toy System	110,093	Israel	06/22/94
Motor Installation for Const. Toy System	77124	Taiwan	03/01/96
Chain Drive Support for Const. Toy System	678,694	Australia	01/11/95
Chain Drive Support for Const. Toy System	2,179,734	Canada	10/13/98
Chain Drive Support for Const. Toy System	ZL 95191240.2	China	01/11/95
Chain Drive Support for Const. Toy System	EP 0812231	EPO (Great Britain)	01/11/95
Chain Drive Support for Const. Toy System	112,510	Israel	02/01/95
Chain Drive Support for Const. Toy System	3,609,412	Japan	01/11/95
Large Multipurpose Gear for Const. Toy System	M9701958.5	Germany	02/22/97
Right Angle Gear for Const. Toy System	M9706492.5	Germany	07/11/97
Robot Toy Figure	M9706227.6	Germany	07/03/97
Articulated Sectional Toy Figure	0856341	EPO (United Kingdom)	12/15/97
Solar Panel + Motor	M9706791.1	Germany	07/19/97
Solar Panel for Const. Toy System	0857504	EPO (United Kingdom)	02/04/98
Solar Motor for Const. Toy System	0857505	EPO (United Kingdom)	02/04/98
Panels for Const. Toy System	ZL98809810.5	China	10/02/98
Panels for Const. Toy System	98949777.1	EPO (Germany and United Kingdom)	10/02/98
Eight Panels	ZL98301613.5	China	03/30/98
Eight Panels	M9803535.5	Germany	04/02/98
Eight Panels	982078	France	04/02/98
Triangular Panel for Const. Toy Set	2,073,227	United Kingdom	10/03/97
Triangular Panel for Const. Toy Set	1,045,249	Japan	04/30/99
Rectangular Panel for Const. Toy Set	2,073,228	United Kingdom	10/03/97
Triangular Panel for Const. Toy Set	1,045,250	Japan	04/30/99
Dual Remote Control	49806715.7	Germany	12/18/98
Dual Remote Control	2,075,565	United Kingdom	06/24/98
Shock Absorber for Toy Vehicles	1,078,668	EPO (Germany and United Kingdom)	08/09/00

(Schedule B to Patent Security Agreement)

Unidirectional Rotary Drive Mechanism of Multi-part Const. Toy	2358679	United Kingdom	11/23/00
Toy Projectile System	2,371,497	United Kingdom	12/31/01
Game Board Structure for Const. Toy Set	2,384,443	United Kingdom	06/29/00
Rod and Connector Toy Const. Set	02816289.7	China	12/16/02
Rod and Connector Toy Const. Set	02790134.7	EPO	12/16/02
Rod and Connector Toy Const. Set	05103873.1	Hong Kong	05/09/05
Rod and Connector Toy Const. Set	159934	Israel	12/16/02
Rod and Connector Toy Const. Set	01992/DELNP/2003	India	12/16/02
Rod and Connector Toy Const. Set	2003-559639	Japan	12/16/02
Rod and Connector Toy Const. Set	20047000912	Korea	12/16/02
Rod and Connector Toy Const. Set	PA/a/2004/0038927	Mexico	12/16/02
Component Designs	000040571-0001/76	EPO	10/14/03
Container for Holding Component Parts of a Const. Toy	102005002695.8	Germany	01/19/05
Container for Holding Component Parts of a Const. Toy	0425294.6	Great Britain	11/17/04
Panel and Girder System for Const. Toy	102005035702.4	Germany	07/27/05
Panel and Girder System for Const. Toy	042594.6	Great Britain	06/27/05
Flex-K'Nex	102006004999.3	Germany	01/29/06
Flex-K'Nex	1031045	Netherlands	02/01/06
Flex-K'Nex	0601445.0	Great Britain	01/25/06
Hinged Connector	0651252	France	04/07/06
Hinged Connector	102006016858.5	Germany	04/07/06
Hinged Connector	0606708.6	Great Britain	04/04/06
Micro-K'Nex	PCT/US2006/011550	PCT	03/30/06
Micro K'Nex	095121512	Taiwan	06/16/06

RODON DIVISION

Golf Putter Head	200530001848.8	China	01/25/05
Adjustable Weight Putter	PCT/US05/45942	PCT	12/15/05

(Schedule B to Patent Security Agreement)

Exhibit I

PATENT ASSIGNMENT

WHEREAS, Connector Set Limited Partnership, a Delaware limited partnership ("Grantor") is the registered owner of: (i) the United States Letters Patent and the inventions described and claimed therein set forth on Schedule A hereto and the patents issued by jurisdictions or patent authorities other than the United States and the inventions described and claimed therein set forth on Schedule B hereto (hereinafter referred to collectively as the "Patents") and (ii) the applications for Letters Patent and the inventions described and claimed therein set forth on Schedule A hereto and any United States Letters Patent which may be issued upon any of said applications and the applications for patents made to jurisdiction or patent authorities other than the United States and the inventions described and claimed therein set forth on Schedule B hereto and any patents which may be issues upon any of said applications (hereinafter referred to collectively as the "Applications"), which are registered with the United States Patent and Trademark Office (in the case of Patents and Applications on Schedule A) or with other appropriate patent offices (in the case of Patents and Applications on Schedule B).

WHEREAS, in conjunction with the Patents and Applications, Grantor may use or adopt any reissues, extensions, divisions, continuations, and continuations-in-part of the Patents or Applications (such reissues, extension, divisions and continuations being herein referred to collectively as the "Reissued Patents"); may be entitled to all future royalties or other fees paid or payments made to Grantor in respect of the Patents (hereinafter referred to collectively as the "Royalties"), (the Patents, Applications and the Reissued Patents and the Royalties being herein referred to collectively as the "Patent Rights") and may be entitled to profits and damages for past and future infringements of the Patent Rights (such rights, interest, claims and demand being herein called the "Claims") (the Patent Rights and Claims are collectively referred to as the "Patent Collateral").

WHEREAS, _____ ("Grantee") having a place of business at _____ is desirous of acquiring said Patent Collateral;

NOW THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and intending to be legally bound hereby, Grantor, its successors and assigns, does hereby transfer, assign and set over unto Grantee, its successors, transferees and assigns, all of its present and future right, title and interest in and to the Patent Collateral and all proceeds thereof and all goodwill associated therewith.

IN WITNESS WHEREOF, the undersigned has caused this Patent Assignment to be executed as of the ____ day of _____, _____.

CONNECTOR SET LIMITED PARTNERSHIP

By: _____

Attorney-in-fact

(Exhibit I to Patent Security Agreement)

CORPORATE ACKNOWLEDGMENT

STATE OF :
 : S.S.
COUNTY OF :

On this _____ day of _____, _____ before me, a Notary Public for the said County and State, personally appeared known to me or satisfactorily proven to me to be attorney-in-fact on behalf of CONNECTOR SET LIMITED PARTNERSHIP ("Grantor") and s/he acknowledged to me that s/he executed the foregoing Patent Assignment on behalf of Grantor, and as the act and deed of Grantor for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public

My Commission Expires:

(Acknowledgement to Exhibit I to Patent Security Agreement)

POWER OF ATTORNEY

CONNECTOR SET LIMITED PARTNERSHIP, a Delaware limited partnership, ("Grantor"), hereby authorizes PNC BANK, NATIONAL ASSOCIATION, its successors and assigns, and any officer or agent thereof (collectively, "Agent") as agent for the Lenders under the Revolving Credit, Term Loan and Security Agreement among Agent, the financial institutions which are now or which hereafter become a party thereto as Lenders, the Grantor, as Borrower therein, of even date herewith (as it may hereafter be amended, modified, restated or replaced from time to time, the "Credit Agreement"), following the occurrence and during the continuance of an Event of Default as defined in the Credit Agreement, as the true and lawful attorney-in-fact of Grantor, with the power to endorse the name of Grantor on all applications, assignments, documents, papers and instruments necessary for Agent to enforce and effectuate its rights under a certain Patent Security Agreement between Grantor and Agent dated the date hereof (as it may hereafter be supplemented, restated, superseded, amended or replaced, the "Patent Agreement"), including, without limitation, the power to record its interest in any Patent Collateral or Additional Patents in the United States Patent and Trademark Office or other appropriate patent office including, without limitation, the power to execute on behalf of Grantor a supplement to Patent Security Agreement, to use the Patent Collateral or to grant or issue any exclusive or non-exclusive license under the Patent Collateral to anyone else, to assign, pledge, convey or otherwise transfer title in or dispose of the Patent Collateral to anyone else including, without limitation, the power to execute on behalf of Grantor an assignment of Patent Collateral, in each case subject to the terms of the Patent Agreement. Nothing herein contained shall obligate Agent to use or exercise any rights granted herein.

This Power of Attorney is given and any action taken pursuant hereto is intended to be so given or taken pursuant to and subject to the provisions of the Credit Agreement.


Grantor hereby unconditionally ratifies all that such attorney shall lawfully do or cause to be done following the occurrence and during the continuance of an Event of Default by virtue hereof and in accordance with the terms of the Patent Agreement, the Credit Agreement and the Other Documents.

This Power of Attorney shall be irrevocable for the life of the Patent Agreement.

IN WITNESS WHEREOF, the Grantor has executed this Power of Attorney, under seal, this 20th day of July, 2006.

CONNECTOR SET LIMITED PARTNERSHIP

By: K'NEX Industries, Inc., its General Partner

By: 
Michael Araten, President

(Power of Attorney to Patent Security Agreement)

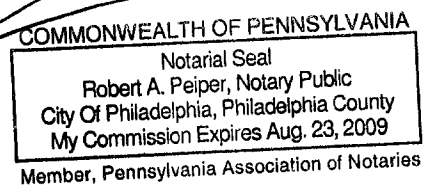
CORPORATE ACKNOWLEDGMENT

UNITED STATES OF AMERICA :
COMMONWEALTH OF PENNSYLVANIA : SS
COUNTY OF PHILADELPHIA :

On this 20 of July, 2006 personally appeared **MICHAEL ARATEN**, to me known and being duly sworn, deposes and says that he is authorized to sign on behalf of K'NEX INDUSTRIES, INC., the general partner of **CONNECTOR SET LIMITED PARTNERSHIP**, the Grantor limited partnership described in the foregoing Power of Attorney; that he signed the Power of Attorney pursuant to the authority vested in her by law; that the within Power of Attorney is the voluntary act of such limited partnership; and he desires the same to be recorded as such.



Notary Public



(Acknowledgement to Power of Attorney to Patent Security Agreement)

EXHIBIT II
Supplement to Patent Security Agreement

This Supplement to Patent Security Agreement ("Supplement"), dated _____, is entered into by **CONNECTOR SET LIMITED PARTNERSHIP**, a Delaware limited partnership, having a mailing address at 2990 Bergey Road, Hatfield, Pennsylvania 19440 ("Grantor") and delivered to **PNC BANK, NATIONAL ASSOCIATION** having a mailing address at 1600 Market Street, Philadelphia, PA 19103, Attn: O. Theodore Kuber ("Agent") as agent for the Lenders under the Credit Agreement (as defined below).

Background

A. This Supplement is being delivered in connection with that certain Revolving Credit, Term Loan and Security Agreement among Agent, the financial institutions which are now or which hereafter become a party thereto as Lenders, the Grantor, as Borrower therein, dated as of July ___, 2006 (as it may hereafter be amended, modified, restated or replaced from time to time, the "Credit Agreement"), and that certain Patent Security Agreement, dated as of the date of the Credit Agreement, by and between Grantor and Agent, (as it may have been and may hereafter be amended, supplemented, restated, replaced, or otherwise modified from time to time "Patent Security Agreement"). Capitalized terms used but not defined herein shall have the respective meanings given to such terms in, or by reference in, the Patent Security Agreement.

B. Pursuant to the Credit Agreement and the Patent Security Agreement, Grantor granted to Agent for the benefit of Lenders as collateral security for the Obligations a lien on and security interest in all of the Patent Collateral of Grantor (as defined therein).

C. Grantor has acquired certain additional Patents and/or Applications as set forth on **Schedule A-1/Schedule B-1** attached hereto and made part hereof (collectively, "Additional Patents"). Grantor and Agent desire to execute this Supplement for the purpose of, inter alia, granting, ratifying and confirming the lien and security interest of Agent on and in the Additional Patents, as more fully set forth in the Patent Security Agreement, and for recording in the United States Patent and Trademark Office or other appropriate patent office.

NOW THEREFORE, with the foregoing Background hereinafter deemed incorporated by reference and made a part hereof, and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Grantor, intending to be legally bound hereby, covenants and agrees as follows.

1. In consideration of and pursuant to the terms of the Credit Agreement and Other Documents, and for other good, valuable and sufficient consideration, the receipt of which is hereby acknowledged, and to secure the Obligations, Grantor grants a lien and security interest to Agent, for the benefit of Lenders, in all of its present and future right, title and interest in and to the Additional Patents, and the registration thereof and the right (but not obligation) to sue for past, present and future infringements thereof, including, without limitation, license royalties and proceeds of infringement suits, subject to the terms of the Credit Agreement and the Patent Security Agreement.

2. Grantor acknowledges and confirms that the rights and remedies of Agent with respect to the security interest in the Additional Patents granted hereby are more fully set forth in

(Exhibit II to Patent Security Agreement)

the Credit Agreement and the Patent Security Agreement, the terms and provisions of which are incorporated herein by reference. All references to the Patent Security Agreement contained in the Credit Agreement or Other Documents shall be deemed, for all purposes, to also refer to and include this Supplement.

3. Schedule A/Schedule B to the Patent Agreement is hereby supplemented by the information contained on Schedule A-1/Schedule B-1 attached hereto. All references to Schedule A/Schedule B contained in the Credit Agreement, Patent Security Agreement or Other Documents shall be deemed, for all purposes, to also refer to and include Schedule A-1/Schedule B-1.

4. Except as expressly amended by this Supplement, all of the terms, conditions and provisions of the Credit Agreement and Patent Security Agreement are hereby ratified and continue unchanged and remain in full force and effect.

5. This Supplement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature by facsimile shall also bind the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Supplement on the day and year first above written.

CONNECTOR SET LIMITED PARTNERSHIP

By: K'NEX Industries, Inc.,
its General Partner

By: _____

Name: _____

Title: _____

Approved and accepted:
PNC BANK, NATIONAL ASSOCIATION
as Agent
By: _____

Name: _____

Title: _____

(Exhibit II to Patent Security Agreement)

CORPORATE ACKNOWLEDGMENT

UNITED STATES OF AMERICA :
STATE OF _____ : SS
COUNTY OF _____ :

On this [__ day of _____, 200__], before me personally appeared _____, who being duly sworn, deposes and says that he/she is authorized to sign on behalf of K'NEX INDUSTRIES, INC. the general partner of CONNECTOR SET LIMITED PARTNERSHIP, the limited partnership described in the foregoing document, that he/she in such capacity is authorized to execute on behalf of the said limited partnership the foregoing document for the purposes contained therein, and that he/she is the person whose name and signature is subscribed to the foregoing document.

Notary Public

My Commission Expires:

(Acknowledgement to Exhibit II to Patent Security Agreement)

074658.01230/11563161v.2

RECORDED: 08/01/2006

**PATENT
REEL: 018039 FRAME: 0140**