

10-26-1998



100861451
TRADEMARKS

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

1. Name of conveying party: Anagram International, Inc. 7700 Anagram Drive Eden Prairie, MN 55344-7307	2. Name and address of receiving party: Fleet National Bank, as Collateral Agent 1 Federal Street, 5th Floor Boston, MA 02110
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3. Nature of conveyance:

Grant of Trademark Security Interest

Execution Date: February 12, 1998

4. Application numbers and trademark numbers:

A. Trademark Application Nos. 218791	B. Trademark Registration Nos. 1533437 1854180 1905750 1910206 2052522 2052521
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5. Name and address of party to whom correspondence concerning document should be mailed:

Beth T. Scimemi
Legal Assistant
O'Melveny & Myers LLP
153 E. 53rd Street
New York, New York 10022

6. Total number of applications and registrations involved:

7

7. Total fee:

\$ 190.00 (Enclosed)

8. Deposit Account Number:

N/A

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.

Beth T. Scimemi	<i>Beth T. Scimemi</i>	October 9, 1998
Name of Person Signing	Signature	Date

TOTAL NUMBER OF PAGES COMPRISING COVER SHEET: 1

10/22/1998 SMURNS 00000056 1533437

01 FC:481 40.00 DP
02 FC:482 150.00 DP

NY1-0632114

TRADEMARK
REEL: 1802 FRAME: 0914

SUBSIDIARY PATENT AND TRADEMARK SECURITY AGREEMENT

This **SUBSIDIARY PATENT AND TRADEMARK SECURITY AGREEMENT** (this "**Agreement**") is dated as of September 17, 1998 and entered into by and between **ANAGRAM INTERNATIONAL, INC.**, a Minnesota corporation ("**Grantor**"), and **FLEET NATIONAL BANK**, as collateral agent for (in such capacity, the "**Collateral Agent**") and representative of (in such capacity herein called "**Secured Party**") the Lenders (as hereinafter defined) and their respective agents party to the Credit Agreements referred to below and any Interest Rate Exchangers (as hereinafter defined).

PRELIMINARY STATEMENTS

A. Amscan Holdings, Inc., a Delaware corporation (the "**Company**"), the several financial institutions from time to time parties thereto (the "**Revolving Loan Lenders**"), Fleet National Bank, as Administrative Agent, and Goldman Sachs Credit Partners L.P. ("**GSCP**"), as Arranger and Syndication Agent, have entered into an Amended and Restated Revolving Loan Credit Agreement dated as of September 17, 1998 (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "**Revolving Loan Credit Agreement**"), pursuant to which the Revolving Loan Lenders have made certain commitments, subject to the terms and conditions set forth in the Revolving Loan Credit Agreement, to extend certain revolving credit facilities (the "**Revolving Loans**") to Company. Capitalized terms used herein but not defined herein shall have the meanings assigned to them in the Credit Agreements except as expressly set forth herein.

B. Company, the several financial institutions from time to time parties thereto (the "**AXEL Lenders**", together with the Revolving Loan Lenders, the "**Lenders**") and GSCP, as Syndication Agent and Arranger, have entered into an Amended and Restated AXEL Credit Agreement dated as of September 17, 1998 (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "**AXEL Credit Agreement**", together with the Revolving Loan Credit Agreement, the "**Credit Agreements**") pursuant to which the AXEL Lenders have made certain commitments subject to the terms and conditions set forth in the AXEL Credit Agreement, to extend certain term loan credit facilities (the "**AXELs**", together with the Revolving Loans, the "**Loans**") to Pledgor.

C. Company may from time to time enter, or may from time to time have entered, into one or more Interest Rate Agreements (collectively, the "**Lender Interest Rate Agreements**") with one or more Lenders (in such capacity, collectively, "**Interest Rate Exchangers**").

D. Grantor has executed and delivered that certain Subsidiary Guaranty dated as of December 19, 1997 (said Subsidiary Guaranty, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "Guaranty") in favor of Secured Party for the benefit of Lenders and any Interest Rate Exchangers, pursuant to which Grantor has guaranteed the prompt payment and performance when due of all obligations of Company under the Credit Agreements and all obligations of Company under the Lender Interest Rate Agreements, including the obligation of Company to make payments thereunder in the event of early termination thereof.

E. Collateral Agent and Fleet National Bank, as Administrative Agent for the AXEL Lenders and as Administrative Agent for the Revolving Loan Lenders, have entered into an Intercreditor Agreement dated as of December 19, 1997 (said Intercreditor Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "Intercreditor Agreement").

F. Pursuant to the Subsidiary Security Agreement executed and delivered by Grantor, Grantor has assigned and granted to Secured Party a lien on and security interest in, among other assets, all of Grantor's equipment, inventory, accounts and general intangibles relating to the products and services sold or delivered under or in connection with the Trademarks (as hereinafter defined) such that, upon the occurrence and during the continuation of an Event of Default (as hereinafter defined), Secured Party would be able to exercise its remedies consistent with such Subsidiary Security Agreement, this Agreement and applicable law to foreclose upon Grantor's business and use the Trademarks, the Trademark Registrations (as hereinafter defined) and the Trademark Rights (as hereinafter defined) in conjunction with the continued operation of such business, maintaining substantially the same product and service specifications and quality as maintained by Grantor, and benefit from the Associated Goodwill (as hereinafter defined).

G. It is a condition precedent to the making and maintaining of extensions of credit by Lenders under the Credit Agreements that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce Lenders to make Loans and other extensions of credit under the Credit Agreements and to induce Interest Rate Exchangers to enter into the Lender Interest Rate Agreements, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Grantor hereby agrees with Secured Party as follows:

SECTION 1. Grant of Security. Grantor hereby assigns to Secured Party, and hereby grants to Secured Party a security interest in, all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest (either directly or pursuant to a license or otherwise) and wherever the same may be located (the "Collateral"):

(a) (1) all trademarks, service marks, designs, logos, indicia, tradenames, trade dress, corporate names, company names, business names, fictitious business names, trade styles and/or other source and/or business identifiers and applications pertaining thereto that are owned or used by Grantor in its business, or that are hereafter adopted and so used (in each case whether in whole or in part), including the trademarks specifically identified on Schedule I annexed hereto, as the same may be amended from time to time in accordance with the terms hereof (all of the Collateral described in this clause (1) being referred to herein collectively as the "**Trademarks**"); (2) all registrations that have been or may hereafter be issued or applied for on any existing or future Trademarks in the United States or any state thereof or in any foreign country, including the registrations and applications specifically identified on Schedule I annexed hereto, as the same may be amended from time to time in accordance with the terms hereof (all of the Collateral described in this clause (2) being referred to herein collectively as the "**Trademark Registrations**"); (3) all common law and other rights (but in no event any of the obligations) in and to the Trademarks in the United States or any state thereof or in any foreign country (all of the Collateral described in this clause (3) being referred to herein collectively as the "**Trademark Rights**"); (4) all goodwill of Grantor's business symbolized by the Trademarks and associated therewith, including the documents and other things described in Section 1(c) (all of the Collateral described in this clause (4) being referred to herein collectively as the "**Associated Goodwill**"); and (5) the right (but not the obligation) to register claims under any state or federal trademark law or regulation or any trademark law or regulation of any foreign country and to apply for, renew and extend the Trademarks, Trademark Registrations and Trademark Rights, and the right (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of Grantor or in the name of Secured Party or otherwise for past, present and future infringements of the Trademarks, Trademark Registrations or Trademark Rights and all rights (but not obligations) corresponding thereto in the United States or any state thereof or any foreign country; it being understood that the rights and interests included in this Section 1(a) shall include all rights and interests pursuant to licensing or other contracts in favor of Grantor pertaining to any Trademarks, Trademark Registrations or Trademark Rights presently or in the future owned, held or used by third parties but, in the case of third parties which are not Affiliates of Grantor, only to the extent permitted by such licensing or other contracts and, if not so permitted under such contracts, only with the consent of such third parties;

(b) all patents and patent applications and all rights, title and interests in patents and patent applications under any domestic or foreign law that are presently, or in the future may be, owned, held or used by Grantor, in whole or in part, including the patents and patent applications listed on Schedule II annexed hereto, as the same may be amended from time to time in accordance with the terms hereof, all rights (but not obligations) corresponding thereto, including the right (but not the obligation) to sue for past, present and future infringements in the name of Grantor or in the name of Secured Party or otherwise, and all re-issues, divisions, continuations, renewals, extensions and continuations-in-part thereof (all of the foregoing Collateral described in this Section 1(b))

being referred to herein collectively as the "Patents"); it being understood that the rights and interests included in the Patents under this Section 1(b) shall include all rights and interests pursuant to licensing or other contracts in favor of Grantor pertaining to patents and patent applications presently or in the future owned, held or used by third parties but, in the case of third parties which are not Affiliates of Grantor, only to the extent permitted by such licensing or other contracts and, if not so permitted under such contracts, only with the consent of such third parties;

(c) the following documents and things in Grantor's possession, or subject to Grantor's right to possession, related to (Y) the production, sale and delivery by Grantor, or by any Affiliate, licensee or subcontractor of Grantor, of products or services sold or delivered by or under the authority of Grantor in connection with the Trademarks, Trademark Registrations or Trademark Rights (which products and services shall, for purposes of this Agreement, be deemed to include products and services sold or delivered pursuant to merchandising operations utilizing any Trademarks, Trademark Registrations or Trademark Rights) or (Z) any retail or other merchandising operations conducted under the name of or in connection with the Trademarks, Trademark Registrations or Trademark Rights by Grantor or any Affiliate, licensee or subcontractor of Grantor:

(1) all lists and ancillary documents that identify and describe any of Grantor's customers, or those of its Affiliates, licensees or subcontractors, for products sold and services delivered under or in connection with the Trademarks or Trademark Rights, including any lists and ancillary documents that contain a customer's name and address, the name and address of any of its warehouses, branches or other places of business, the identity of the Person or Persons having the principal responsibility on a customer's behalf for ordering products or services of the kind supplied by Grantor, or the credit, payment, discount, delivery or other sale terms applicable to such customer, together with information setting forth the total purchases, by brand, product, service, style, size or other criteria, and the patterns of such purchases;

(2) all product and service specification documents and production and quality control manuals used in the manufacture or delivery of products and services sold or delivered under or in connection with the Trademarks or Trademark Rights;

(3) all documents which reveal the name and address of any source of supply, and any terms of purchase and delivery, for any and all materials, components and services used in the production of products and services sold or delivered under or in connection with the Trademarks or Trademark Rights; and

(4) all documents constituting or concerning the then current or proposed advertising and promotion by Grantor or its Affiliates, licensees or subcon-

tractors of products and services sold or delivered under or in connection with the Trademarks or Trademark Rights, including all documents which reveal the media used or to be used and the cost for all such advertising conducted within the described period or planned for such products and services;

(d) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon;

(e) to the extent not otherwise included in the foregoing Sections 1(a) - 1(d), all general intangibles relating to the Collateral; and

(f) all proceeds, products, rents and profits (including license royalties and proceeds of infringement suits) of or from any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral. For purposes of this Agreement, (1) the term "**proceeds**" includes whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary, and (2) the term "**Intellectual Property Collateral**" means any and all Trademarks, Trademark Registrations, Trademark Rights and Patents.

SECTION 2. Security for Obligations. This Agreement secures, and the Collateral is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. §362(a)), of all obligations and liabilities of every nature of Grantor now or hereafter existing under or arising out of or in connection with the Guaranty and all extensions or renewals thereof, whether for principal, interest (including interest that, but for the filing of a petition in bankruptcy with respect to Company, would accrue on such obligations, whether or not a claim is allowed against Company for such interest in the related bankruptcy proceeding), reimbursement of amounts drawn under Letters of Credit, payments for early termination of Lender Interest Rate Agreements, fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Secured Party or any Lender or Interest Rate Exchanger as a preference, fraudulent transfer or otherwise and all obligations of every

nature of Grantor now or hereafter existing under this Agreement (all such obligations of Grantor being the "Secured Obligations").

SECTION 3. Grantor Remains Liable. Anything contained herein to the contrary notwithstanding, (a) Grantor shall remain liable under any contracts and agreements 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, (b) the exercise by Secured Party of any of its rights hereunder shall not release Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Secured Party shall not have any obligation or liability under any contracts and agreements included in the Collateral by reason of this Agreement, nor shall Secured Party be obligated to perform any of the obligations or duties of Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 4. Representations and Warranties. Grantor represents and warrants as follows:

(a) **Ownership of Collateral.** Except for Liens permitted by the Credit Agreements, Grantor owns the Collateral free and clear of any Lien except for the security interest created by this Agreement.

(b) **Office Locations; Other Names.** The chief place of business, the chief executive office and the office where Grantor keeps its records regarding the Collateral is, and has been for the four month period preceding the date hereof, located at 7700 Anagram Drive, Eden Prairie, Minnesota 55344-7307. Grantor has not in the past done, and does not now do, business under any other name (including any trade-name or fictitious business name).

(c) **Description of Trademarks.** A true and complete list of all Trademarks, Trademark Registrations and Trademark applications owned, held (whether pursuant to a license or otherwise) or used by Grantor, in whole or in part, as of the date of this Agreement is set forth in Schedule I annexed hereto.

(d) **Description of Patents.** A true and complete list of all Patents owned, held (whether pursuant to a license or otherwise) or used by Grantor, in whole or in part, as of the date of this Agreement is set forth in Schedule II annexed hereto.

(e) **Validity and Enforceability of Collateral.** After reasonable inquiry, Grantor is not aware of any pending or threatened claim by any third party that any of the Intellectual Property Collateral owned, held or used by Grantor is invalid or unenforceable.

SECTION 5. Further Assurances.

(a) Grantor agrees that from time to time, at the expense of Grantor, Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Grantor will: (i) execute and file in the United States Patent and Trademark Office, together with appropriate cover sheets, (X) a Grant of Trademark Security Interest, substantially in the form of Exhibit A annexed hereto (the "**Short-Form Grant of Trademark Security Interest**"), and (Y) a Grant of Patent Security Interest, substantially in the form of Exhibit B annexed hereto (the "**Short-Form Grant of Patent Security Interest**"), (ii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Secured Party may request, in order to perfect and preserve the security interests granted or purported to be granted hereby, (iii) at the request of Secured Party, mark conspicuously each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to Secured Party, indicating that such Collateral is subject to the security interest granted hereby, (iv) use commercially reasonable efforts to obtain any necessary consents of third parties to the grant and perfection of a security interest in favor of Secured Party with respect to any Collateral, (v) at any reasonable time, upon request by Secured Party, exhibit the Collateral to and allow inspection of the Collateral by Secured Party, or persons designated by Secured Party, and (vi) at Secured Party's request, appear in and defend any action or proceeding that may affect Grantor's title to or Secured Party's security interest in all or any part of the Collateral.

(b) Without limiting the generality of Section 5(a), if Grantor shall hereafter obtain rights to any new Intellectual Property Collateral or become entitled to the benefit of any patent application or patent or any reissue, division, continuation, renewal, extension or continuation-in-part of any Patent or any improvement of any Patent, then, in any such case, the provisions of this Agreement shall automatically apply thereto. Grantor shall promptly notify Secured Party in writing of any of the foregoing rights acquired by Grantor after the date hereof and of any Trademark Registrations issued or applications for Trademark Registrations or applications for Patents made after the date hereof. Promptly after the filing of an application for any Trademark Registration or Patent, Grantor shall execute and deliver to Secured Party and record in all places where this Agreement, the Short-Form Grant of Trademark Security Interest or the Short-Form Grant of Patent Security Interest, as applicable, may have been recorded a Company Patent and Trademark Security Agreement Supplement, substantially in the form of Exhibit C annexed hereto, pursuant to which Grantor shall grant to Secured Party a security interest to the extent of its interest in such Intellectual Property Collateral; provided that if, in the reasonable judgment of Grantor, after due inquiry, the recording of any such security interest would

result in the grant of a Trademark Registration in the name of Secured Party, Grantor shall give written notice of such determination to Secured Party as soon as reasonably practicable after the making thereof, and such recordation shall instead be undertaken as soon as practicable but in no case later than immediately following the grant of the applicable Trademark Registration.

(c) Grantor hereby authorizes Secured Party to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of Grantor. Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement signed by Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions.

(d) Grantor hereby authorizes Secured Party to modify this Agreement without obtaining Grantor's approval of or signature to such modification by amending Schedule I or Schedule II annexed hereto, as applicable, to include reference to any right, title or interest in any existing Intellectual Property Collateral or any Intellectual Property Collateral acquired or developed by Grantor after its execution hereof or to delete any reference to any right, title or interest in any Intellectual Property Collateral in which Grantor no longer has or claims any right, title or interest.

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

SECTION 6. Certain Covenants of Grantor. Grantor shall:

(a) not sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, except as permitted by the Credit Agreements;

(b) not create or suffer to exist any Lien upon or with respect to any of the Collateral to secure the indebtedness or other obligations of any Person, except for the security interest created by this Agreement;

(c) not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(d) notify Secured Party of any change in Grantor's name, identity or corporate structure within 15 days of such change;

(e) give Secured Party 30 days' prior written notice of any change in Grantor's chief place of business or chief executive office or the office where Grantor keeps its records regarding the Collateral;

(f) pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Collateral, except to the extent the validity thereof is being contested in good faith; provided that Grantor shall in any event pay such taxes, assessments, charges, levies or claims not later than five days prior to the date of any proposed sale under any judgement, writ or warrant of attachment entered or filed against Grantor or any of the Collateral as a result of the failure to make such payment;

(g) diligently keep reasonable records respecting the Intellectual Property Collateral and at all times keep at least one complete set of its records concerning the Intellectual Property Collateral at its chief executive office or principal place of business;

(h) hereafter use commercially reasonable efforts so as not to permit the inclusion in any contract to which it hereafter becomes a party of any provision that could or might in any way materially impair or prevent the creation of a security interest in, or the assignment of, Grantor's rights and interests in any property acquired under such contracts that is included within the definition of any Intellectual Property Collateral;

(i) take all steps deemed appropriate in Grantor's commercially reasonable judgement to protect the secrecy of all trade secrets relating to the products and services sold or delivered under or in connection with the Intellectual Property Collateral, including, where appropriate, entering into confidentiality agreements with employees and labeling and restricting access to secret information and documents;

(j) use proper statutory notice in connection with its use of any of the Intellectual Property Collateral;

(k) use a commercially appropriate standard of quality (which may be consistent with Grantor's past practices) in the manufacture, sale and delivery of products and services sold or delivered under or in connection with any of the Intellectual Property Collateral; and

(l) furnish to Secured Party, from time to time at Secured Party's reasonable request, statements and schedules further identifying and describing any Intellectual Property Collateral, and such other reports as Secured Party may reasonably request in connection with any Intellectual Property Collateral, all in reasonable detail.

SECTION 7. Collection of Amounts Payable in Respect of the Intellectual Property Collateral. Except as otherwise provided in this Section 7, Grantor shall continue

to collect, at its own expense, all amounts due or to become due to Grantor in respect of the Intellectual Property Collateral or any portion thereof. In connection with such collections, Grantor may take (and, at Secured Party's reasonable direction, shall take) such action as Grantor or Secured Party may deem reasonably necessary or advisable to enforce collection of such amounts; provided that Secured Party shall have the right at any time, upon the occurrence and during the continuation of an Event of Default (as defined in the Credit Agreements) or the occurrence of an Early Termination Date (as defined in a Master Agreement or an Interest Rate Swap Agreement or Interest Rate and Currency Exchange Agreement in the form prepared by the International Swap and Derivatives Association Inc. or a similar event under any similar swap agreement) under any Lender Interest Rate Agreement (either such occurrence being an "Event of Default" for purposes of this Agreement) and upon written notice to Grantor of its intention to do so, to notify the obligors with respect to any such amounts of the existence of the security interest created hereby and to direct such obligors to make payment of all such amounts directly to Secured Party, and, upon such notification and at the expense of Grantor, to enforce collection of any such amounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor might have done. Upon receipt by Grantor of the notice from Secured Party referred to in the proviso to the immediately preceding sentence and thereafter during the continuation of any Event of Default, (a) all amounts and proceeds (including checks and other instruments) received by Grantor in respect of amounts due to Grantor in respect of the Intellectual Property Collateral or any portion thereof shall be received in trust for the benefit of Secured Party hereunder, shall be segregated from other funds of Grantor and shall be forthwith paid over or delivered to Secured Party in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 15, and (b) Grantor shall not adjust, settle or compromise the amount or payment of any such amount or release wholly or partly any obligor with respect thereto or allow any credit or discount thereon.

SECTION 8. Applications and Registrations With Respect to Intellectual Property Collateral; Litigation.

(a) Unless and until Grantor, in its commercially reasonable judgment, determines that such course of action should be discontinued in any particular instance or with respect to any particular Intellectual Property Collateral, Grantor shall have the duty diligently, through counsel reasonably acceptable to Secured Party, to prosecute, file, make and/or take, as applicable, (i) any application relating to any of the Intellectual Property Collateral owned, held or used by Grantor and identified on Schedule I or Schedule II annexed hereto that is pending as of the date of this Agreement, (ii) application on any future patentable but unpatented innovation or invention comprising Intellectual Property Collateral, (iii) any Trademark opposition and cancellation proceedings and renewals of any Trademark Registrations, and (iv) any and all other actions which are necessary or desirable, as determined in Grantor's commercially reasonable judgment, to preserve and maintain all rights in all Intellectual Property Collateral. Any expenses incurred in connection therewith

shall be borne solely by Grantor. Subject to the foregoing, Grantor shall give Secured Party prior written notice of any abandonment of any Intellectual Property Collateral or any pending patent application or any Patent.

(b) Except as otherwise provided herein, Grantor shall have the right to commence and prosecute in its own name, as real party in interest, for its own benefit and at its own expense, such suits, proceedings or other actions for infringement, unfair competition, dilution, misappropriation or other damage, or reexamination or reissue proceedings, as are in its commercially reasonable judgment necessary to protect the Intellectual Property Collateral. Secured Party shall provide, at Grantor's expense, all reasonable and necessary cooperation in connection with any such suit, proceeding or action, including joining as a necessary party. Grantor shall, promptly following its becoming aware thereof, notify Secured Party of the institution of, or of any adverse determination in, any proceeding (whether in the United States Patent and Trademark Office or any federal, state, local or foreign court) regarding Grantor's ownership of, right to use, or interest in any Intellectual Property Collateral. Grantor shall provide to Secured Party any information with respect thereto that may be reasonably requested by Secured Party.

(c) Anything contained herein to the contrary notwithstanding, upon the occurrence and during the continuation of an Event of Default (i) Secured Party shall have the right (but not the obligation) to bring suit, in the name of Grantor, Secured Party or otherwise, to enforce any Intellectual Property Collateral, in which event Grantor shall, at the request of Secured Party, do any and all lawful acts and execute any and all documents that may be reasonably required by Secured Party in aid of such enforcement, and Grantor shall, promptly upon demand, reimburse and indemnify Secured Party as provided in Section 16 in connection with the exercise of its rights under this Section 8(c), and (ii) to the extent that Secured Party shall elect not to bring suit to enforce any Intellectual Property Collateral as provided in this Section 8(c), Grantor agrees to use all reasonable measures, whether by action, suit, proceeding or otherwise, to prevent the infringement of any of the Intellectual Property Collateral by others and for that purpose agrees to use its commercially reasonable judgement in maintaining any action, suit or proceeding against any Person so infringing that is reasonably necessary to prevent such infringement.

SECTION 9. Secured Party Appointed Attorney-in-Fact. Grantor hereby irrevocably appoints Secured Party, upon the occurrence and during the continuance of an Event of Default, as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, Secured Party or otherwise, from time to time in Secured Party's discretion to take any action and to execute any instrument that Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including:

(a) to endorse Grantor's name on all applications, documents, papers and instruments necessary for Secured Party in the use or maintenance of the Collateral;

(b) to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(c) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (b) above;

(d) to file any claims or take any action or institute any proceedings that Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Secured Party with respect to any of the Collateral;

(e) to pay or discharge taxes or Liens (other than Liens permitted under this Agreement or the Credit Agreements) levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by Secured Party in its sole discretion, any such payments made by Secured Party to become obligations of Grantor to Secured Party, due and payable immediately without demand; and

(f) (i) to execute and deliver any of the assignments or documents requested by Secured Party pursuant to Section 12(b), (ii) to grant or issue an exclusive or non-exclusive license to the Collateral or any portion thereof to any Person, and (iii) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option and Grantor's expense, at any time or from time to time, all acts and things that Secured Party deems necessary to protect, preserve or realize upon the Collateral and Secured Party's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as Grantor might do.

SECTION 10. Secured Party May Perform. If Grantor fails to perform any agreement contained herein, Secured Party may itself perform, or cause performance of, such agreement, and the expenses of Secured Party incurred in connection therewith shall be payable by Grantor under Section 16.

SECTION 11. Standard of Care. The powers conferred on Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Secured Party shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Secured Party accords its own property.

SECTION 12. Remedies. If any Event of Default shall have occurred and be continuing:

(a) Secured Party may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "Code") (whether or not the Code applies to the affected Collateral), and also may (i) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of Secured Party forthwith, assemble all or part of the Collateral as directed by Secured Party and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties, (ii) enter onto the property where any Collateral is located and take possession thereof with or without judicial process, (iii) prior to the disposition of the Collateral, store the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Secured Party deems appropriate, (iv) take possession of Grantor's premises or place custodians in exclusive control thereof, remain on such premises and use the same for the purpose of taking any actions described in the preceding clause (iii) and collecting any Secured Obligation, and (v) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of Secured Party's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Secured Party may deem commercially reasonable. Secured Party or any Lender or Interest Rate Exchanger may be the purchaser of any or all of the Collateral at any such sale and Secured Party, as agent for and representative of Lenders and Interest Rate Exchangers (but not any Lender or Lenders or Interest Rate Exchanger or Interest Rate Exchangers in its or their respective individual capacities unless Requisite Obligees (as defined in Section 18(a)) shall otherwise agree in writing), shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Collateral payable by Secured Party at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of Grantor, and Grantor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Grantor hereby waives any claims against Secured Party arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if Secured Party

accepts the first offer received and does not offer such Collateral to more than one offeree. If the proceeds of any sale or other disposition of the Collateral are insufficient to pay all the Secured Obligations, Grantor shall be liable for the deficiency and the fees of any attorneys employed by Secured Party to collect such deficiency.

(b) upon written demand from Secured Party, Grantor shall execute and deliver to Secured Party one or more assignments of the Intellectual Property Collateral and such other documents as are necessary or appropriate to carry out the intent and purposes of this Agreement; provided that Grantor agrees that any such assignment and/or any recording thereof shall be applied to reduce the amount of Secured Obligations then outstanding only to the extent that Secured Party (or any Lender) receives cash proceeds in respect of the sale of, or other realization upon, the applicable Intellectual Property Collateral; and

(c) within five Business Days after written notice from Secured Party, Grantor shall make available to Secured Party, to the extent within Grantor's power and authority, such personnel in Grantor's employ on the date of such Event of Default as Secured Party may reasonably designate, by name, title or job responsibility, to permit Grantor to continue, directly or indirectly, to produce, advertise and sell the products and services sold or delivered by Grantor under or in connection with the Intellectual Property Collateral, such persons to be available to perform their prior functions on Secured Party's behalf and to be compensated by Secured Party at Grantor's expense on a per diem, pro-rata basis consistent with the salary and benefit structure applicable to each as of the date of such Event of Default.

SECTION 13. Certain Additional Rights of Secured Party. In addition to, and not by way of limitation of, the granting of a security interest in the Collateral pursuant hereto, Grantor, effective upon the occurrence and during the continuation of an Event of Default and upon written request from Secured Party, shall grant, sell, convey, transfer, assign and set over to Secured Party, for its benefit and the ratable benefit of Lenders, all of Grantor's right, title and interest in and to the Intellectual Property Collateral to the extent necessary to enable Secured Party to use, possess and realize on the Intellectual Property Collateral and to enable any successor or assign to enjoy the benefits of the Intellectual Property Collateral. This right shall inure to the benefit of all successors, assigns and transferees of Secured Party and its successors, assigns and transferees, whether by voluntary conveyance, operation of law, assignment, transfer, foreclosure, deed in lieu of foreclosure or otherwise. Such right and license shall be granted free of charge, without requirement that any monetary payment whatsoever be made to Grantor. In addition, Grantor hereby grants to Secured Party and its employees, representatives and agents the right to visit Grantor's and any of its Affiliate's or subcontractor's plants, facilities and other places of business that are utilized in connection with the manufacture, production, inspection, storage or sale of products and services sold or delivered under any of the Intellectual Property Collateral (or which were so utilized during the prior six month

period), and to inspect the quality control and all other records relating thereto upon reasonable advance written notice to Grantor and at reasonable dates and times and as often as may be reasonably requested. If and to the extent that Grantor is permitted to license the Intellectual Property Collateral, Secured Party shall promptly enter into a non-disturbance agreement or other similar arrangement, at Grantor's request and expense, with Grantor and any licensee of any Intellectual Property Collateral permitted hereunder in form and substance reasonably satisfactory to Secured Party pursuant to which (a) Secured Party shall agree not to disturb or interfere with such licensee's rights under its license agreement with Grantor so long as such licensee is not in default thereunder and (b) such licensee shall acknowledge and agree that the Intellectual Property Collateral licensed to it is subject to the security interest created in favor of Secured Party and the other terms of this Agreement.

SECTION 14. Reassignment to Grantor. If (a) an Event of Default shall have occurred and, by reason of cure, waiver, modification, amendment or otherwise, no longer be continuing, (b) no other Event of Default shall have occurred and be continuing, (c) an absolute assignment to Secured Party of any right, title or interest in and to any of the Intellectual Property Collateral shall have been previously made, and (d) the Secured Obligations shall not have become immediately due and payable, then, upon the written request of Grantor, Secured Party shall promptly execute and deliver to Grantor such assignments as may be necessary to reassign to Grantor any such right, title and interest in any of the Intellectual Property Collateral as may have been assigned to Secured Party as aforesaid, subject to any disposition thereof that may have been made by Secured Party; provided that, after giving effect to such reassignment, Secured Party's security interest granted pursuant hereto, as well as all other rights and remedies of Secured Party granted hereunder, shall continue to be in full force and effect.

SECTION 15. Application of Proceeds. Except as expressly provided elsewhere in this Agreement, all proceeds received by Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied as provided in subsection 3 of the Intercreditor Agreement.

SECTION 16. Indemnity and Expenses.

(a) Grantor agrees to indemnify Secured Party, each Lender and each Interest Rate Exchanger from and against any and all claims, losses and liabilities in any way relating to, growing out of or resulting from this Agreement and the transactions contemplated hereby (including enforcement of this Agreement), except to the extent such claims, losses or liabilities result solely from Secured Party's or such Lender's or Interest Rate Exchanger's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(b) Grantor shall pay to Secured Party upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of Secured Party hereunder, or (iv) the failure by Grantor to perform or observe any of the provisions hereof.

SECTION 17. Continuing Security Interest; Transfer of Loans. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the payment in full of the Secured Obligations, the cancellation or termination of the Commitments under each Credit Agreement and the cancellation or expiration of all outstanding Letters of Credit, (b) be binding upon Grantor, its successors and assigns, and (c) inure, together with the rights and remedies of Secured Party hereunder, to the benefit of Secured Party and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), but subject to the provisions of subsection 9.1 of the AXEL Credit Agreement and subsection 10.1 of the Revolving Loan Credit Agreement, any Lender may assign or otherwise transfer any Loans held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Lenders herein or otherwise. Upon the payment in full of all Secured Obligations, the cancellation or termination of the Commitments under each Credit Agreement and the cancellation or expiration of all outstanding Letters of Credit, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to Grantor. Upon any such termination Secured Party will, at Grantor's expense, execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

SECTION 18. Secured Party as Collateral Agent.

(a) Secured Party has been appointed to act as Secured Party hereunder pursuant to the Intercreditor Agreement by the Administrative Agents on behalf of the Lenders and, by their acceptance of the benefits hereof, Interest Rate Exchangers. Secured Party shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including the release or substitution of Collateral), solely in accordance with this Agreement and the Intercreditor Agreement; provided that Secured Party shall exercise, or refrain from exercising, any remedies provided for in Section 13 in accordance with the instructions of (i) Requisite Obligees as defined in the Intercreditor Agreement or (ii) after payment in full of all Obligations under the Credit Agreements and the other Loan Documents, the holders of a majority of the aggregate notional amount (or, with respect to any Lender Interest Rate Agreement that has been terminated in accordance with its terms, the amount then due and payable (exclusive of expenses and similar payments but including any early termination payments then due) under such Lender Interest Rate Agreement)

under all Lender Interest Rate Agreements (Requisite Lenders or, if applicable, such holders being referred to herein as "**Requisite Obligees**"). In furtherance of the foregoing provisions of this Section 18(a), each Interest Rate Exchanger, by its acceptance of the benefits hereof, agrees that it shall have no right individually to realize upon any of the Collateral hereunder, it being understood and agreed by such Interest Rate Exchanger that all rights and remedies hereunder may be exercised solely by Secured Party for the benefit of Lenders and Interest Rate Exchangers in accordance with the terms of this Section 18(a).

(b) Secured Party shall at all times be the same Person that is Collateral Agent under the Intercreditor Agreement. Written notice of resignation by Collateral Agent pursuant to subsection 6(g) of the Intercreditor Agreement shall also constitute notice of resignation as Secured Party under this Agreement; removal of Collateral Agent pursuant to subsection 6(g) of the Intercreditor Agreement shall also constitute removal as Secured Party under this Agreement; and appointment of a successor Collateral Agent pursuant to subsection 6(g) of the Intercreditor Agreement shall also constitute appointment of a successor Secured Party under this Agreement. Upon the acceptance of any appointment as Collateral Agent under subsection 6(g) of the Intercreditor Agreement by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Secured Party under this Agreement, and the retiring or removed Secured Party under this Agreement shall promptly (i) transfer to such successor Secured Party all sums, securities and other items of Collateral held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Secured Party under this Agreement, and (ii) execute and deliver to such successor Secured Party such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Secured Party of the security interests created hereunder, whereupon such retiring or removed Secured Party shall be discharged from its duties and obligations under this Agreement. After any retiring or removed Collateral Agent's resignation or removal hereunder as Secured Party, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Secured Party hereunder.

SECTION 19. Amendments; Etc. No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by Grantor therefrom, shall in any event be effective unless the same shall be in writing and signed by Secured Party and, in the case of any such amendment or modification, by Grantor. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

SECTION 20. Notices. Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telefacsimile or telex,

or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or, as to either party, such other address as shall be designated by such party in a written notice delivered to the other party hereto.

SECTION 21. Failure or Indulgence Not Waiver; Remedies Cumulative. No failure or delay on the part of Secured Party in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 22. Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 23. Headings. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

SECTION 24. Governing Law; Terms; Rules of Construction. **THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE UNIFORM COMMERCIAL CODE PROVIDES THAT THE PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.** Unless otherwise defined herein or in the Credit Agreements, terms used in Articles 8 and 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined. The rules of construction set forth in subsection 1.3 of the Credit Agreements shall be applicable to this Agreement *mutatis mutandis*.

SECTION 25. Consent to Jurisdiction and Service of Process. **ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST GRANTOR ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY OBLIGATIONS HEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND**

DELIVERING THIS AGREEMENT, GRANTOR, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY

(I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;

(II) WAIVES ANY DEFENSE OF *FORUM NON CONVENIENS*;

(III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO GRANTOR AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 20;

(IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER GRANTOR IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT;

(V) AGREES THAT SECURED PARTY RETAINS THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST GRANTOR IN THE COURTS OF ANY OTHER JURISDICTION; AND

(VI) AGREES THAT THE PROVISIONS OF THIS SECTION 25 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1402 OR OTHERWISE.

SECTION 26. Waiver of Jury Trial. GRANTOR AND SECURED PARTY HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Grantor and Secured Party each acknowledge that this waiver is a material inducement for Grantor and Secured Party to enter into a business relationship, that Grantor and Secured Party have already relied on this waiver in entering into this Agreement and that each will continue to rely on this waiver in their related future dealings. Grantor and Secured Party further warrant and represent that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. **THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO**

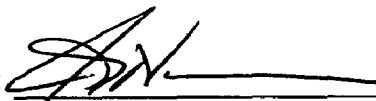
THIS SECTION 26 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

SECTION 27. Counterparts. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Grantor and Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

ANAGRAM INTERNATIONAL, INC.

By: 
Name: _____
Title:

Notice Address: 7700 Anagram Drive
Eden Prairie, Minnesota 55344

FLEET NATIONAL BANK, in its capacity as
Collateral Agent, as Secured Party

By: _____
Name:
Title:

Notice Address: One Federal Street
5th Floor
Mail Stop MAOFD05P
Boston, Massachusetts 02110
Attention: John Mann
Telecopy: (617) 346-4682

with a copy to:

One Federal Street
3rd Floor
Mail Stop MAOFD03C
Boston, Massachusetts 02110
Attention: Steve Curran
Telecopy: (617) 346-5093

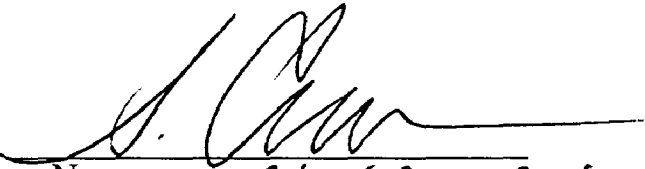
IN WITNESS WHEREOF, Grantor and Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

ANAGRAM INTERNATIONAL, INC.

By: _____
Name:
Title:

Notice Address: 7700 Anagram Drive
Eden Prairie, Minnesota 55344

FLEET NATIONAL BANK, in its capacity as
Collateral Agent, as Secured Party

By: 
Name: STEPHEN CURRAN
Title: AVP

Notice Address: One Federal Street
5th Floor
Mail Stop MAOFD05P
Boston, Massachusetts 02110
Attention: John Mann
Telecopy: (617) 346-4682

with a copy to:

One Federal Street
3rd Floor
Mail Stop MAOFD03C
Boston, Massachusetts 02110
Attention: Steve Curran
Telecopy: (617) 346-5093

**SCHEDULE I
TO
SUBSIDIARY PATENT AND TRADEMARK SECURITY AGREEMENT**

Trademarks:

Mark	Status	Country	Reg. No.	Issued Date	Appl. No.	Filing Date
AIRWALKERS	Registered	U.S.	1533437	4/4/89	746711	8/17/88
AIRWALKERS	Registered	Japan	2712860	3/29/96	5670/89	1/20/89
ANAGRAM and design	Filed	U.S.			218791	11/30/94
MAGIC WRAP	Registered	U.S.	1854180	9/13/94	74/376904	4/8/93
ANAGRAM	Registered	U.S.	1905750	7/18/95	74/457658	11/12/93
ANAGRAM	Registered	U.S.	1910206	8/8/95	74/457659	11/12/93
ANAGRAM	Filed	Mexico			211160	8/15/94
ANAGRAM	Filed	India			684826	10/27/95
ANAGRAM	Registered	China P.R.	998122	5/7/97	950132426	10/23/95
ANAGRAM	Filed	India			684827	10/27/95
ANAGRAM Logo	Registered	China P.R.	998121	5/7/97	950132427	9/15/97
ANAGRAM	Registered	Argentina	1587257	1/5/95	1968498	3/29/95
ANAGRAM	Filed	Brazil			818422920	4/27/95
ANAGRAM	Registered	Russian Federation	162551	3/31/98	96714489	10/30/96
ANAGRAM and Design	Registered	U.S.	2052522	4/15/97	75/087374	4/12/96
RAINBOW LOGO	Registered	U.S.	2052521	4/15/97	75087368	4/12/96
ANAGRAM and Design	Filed	Peru	9855055			

Mark	Status	Country	Reg. No.	Issued Date	Appl. No.	Filing Date
ANAGRAM	Registered	Australia			A625,755	3/24/94
ANAGRAM	Published	South Africa	95/11805-7	March 98	95/11805-7	9/5/95
ANAGRAM	Registered	U.K.	1,497,069	4/10/92	1,497,069	4/10/92
ANAGRAM	Registered	Benelux	524,466	7/1/93	790,755	12/23/92
ANAGRAM	Registered	Germany	2,091,190	2/3/95	A55,763/28 W3	11/8/93
ANAGRAM Logo	Registered	Spain	1,628,560	5/1/94	1,628,560	4/10/91
ANAGRAM	Registered	France	93/481,687	8/27/94	93/481.687	8/27/93
ANAGRAM	Registered	Italy	To94C00050 3	7/2/96	To94C00050 3	3/4/94
MADKAPPS	Registered	U.K.	1,562,139	2/11/94	1,562,139	2/11/94
MADKAPPS	Registered	Germany	2,085,193	2/11/94	A56,510/28 V3	3/8/94
ANAGRAM and design	Registered	Mexico	580379	6/30/98		
ANAGRAM	Pending	European Union - U.K., Benelux, France, Germany, Italy, Spain, Denmark, Greece, Ireland, Austria, Finland, Sweden, Portugal			294,686	8/1/96

**SCHEDULE II
TO
SUBSIDIARY PATENT AND TRADEMARK SECURITY AGREEMENT**

Patents :

Patent Title	Patent No.	Country	Filing Date	Issue Date	Inventor(s)
Self-Sealing Valve, A Self-Sealing Non-Latex Balloon, and a Method for Producing Same (Self-Sealing Valve)	4917646	U.S.	8/17/88	4/17/90	Garry Kieves
Self-Sealing Valve	612882	Australia	6/14/89	12/3/91	Garry Kieves
Self-Sealing Valve	2667030	Japan	6/14/89	6/27/97	Garry Kieves
Self-Sealing Valve	83207	South Korea	6/14/89	3/15/95	Garry Kieves
Self-Sealing Valve	0356013	France	7/26/89	9/7/94	Garry Kieves
Self-Sealing Valve	0356013	Italy	7/26/89	9/7/94	Garry Kieves
Self-Sealing Valve	2060773	Spain	7/26/89	9/7/94	Garry Kieves
Self-Sealing Valve	0356013	Great Britain	7/26/89	9/7/94	Garry Kieves
Self-Sealing Valve	68918027.6-08	Germany	7/26/89	9/7/94	Garry Kieves
Self-Sealing Valve	1301590	Canada	6/19/89	5/26/92	Garry Kieves
Self-Sealing Valve	169122	Mexico	8/17/88	8/2/89	Garry Kieves
Self-Sealing Valve	91457	Portugal	8/16/89	2/6/95	Garry Kieves
Non-Latex Inflatable Toy	5108339	U.S.	8/22/90	4/28/92	Garry Kieves
Mechanism and Method for Interlocking Two Non-Latex Balloons	5169353	U.S.	4/10/91	12/8/92	David A. Myers

Patent Title	Patent No.	Country	Filing Date	Issue Date	Inventor(s)
A Stabilized Appendage for a Novelty Product	5259805	U.S.	5/13/92	11/9/93	Garry Kieves
Three-Dimensional/ Non-Latex Balloon	5338243	U.S.	12/3/93	9/16/94	Garry Kieves
Self-Sealing Refillable Plastic Balloon Valve	5188558	U.S.	11/6/91	2/23/93	Leslie W. Barton and Andrew J. Barton
Card and Balloon Novelty Device	Filed	U.S.	1/5/96		Garry Kieves and John Gilbert
Non-Latex Inflatable Hand Puppet	5713777	U.S.	7/2/96	2/3/98	Robert Greenwald
Non-Latex Inflatable Mask	Filed	U.S.	11/24/97		Brian Manion

· **EXHIBIT A**
TO
SUBSIDIARY PATENT AND TRADEMARK SECURITY AGREEMENT

[FORM OF]

GRANT OF TRADEMARK SECURITY INTEREST

WHEREAS, [NAME OF GRANTOR], a _____ corporation ("**Grantor**"), owns and uses in its business, and will in the future adopt and so use, various intangible assets, including the Trademark Collateral (as defined below);

WHEREAS, **AMSCAN HOLDINGS, INC.**, a Delaware corporation ("**Company**"), as borrower, has entered into an Amended and Restated AXEL Credit Agreement dated as of September 17, 1998 (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "**AXEL Credit Agreement**") with the financial institutions named therein as lenders (collectively, together with their respective successors and assigns party to the AXEL Credit Agreement from time to time, "**AXEL Lenders**") and **FLEET NATIONAL BANK** ("**Fleet**"), as administrative agent for AXEL Lenders, pursuant to which AXEL Lenders have made certain commitments, subject to the terms and conditions set forth in the AXEL Credit Agreement, to extend certain term loan credit facilities (the "**AXEL Loans**") to Company;

WHEREAS, Company has entered into an Amended and Restated Revolving Loan Credit Agreement dated as of September 17, 1998 (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "**Revolving Loan Credit Agreement**"; together with the AXEL Credit Agreement, the "**Credit Agreements**") with the financial institutions named therein as lenders (collectively, together with their respective successors and assigns party to the Revolving Loan Credit Agreement from time to time, the "**Revolving Loan Lenders**"; together with the AXEL Lenders, the "**Lenders**") and Fleet, as administrative agent for Revolving Loan Lenders, pursuant to which Revolving Loan Lenders have made certain commitments, subject to the terms and conditions set forth in the Revolving Loan Credit Agreement, to extend certain revolving loan credit facilities (the "**Revolving Loans**", together with the AXEL Loans, the "**Loans**") to Company.

WHEREAS, Company may from time to time enter into one or more Interest Rate Agreements (collectively, the "**Lender Interest Rate Agreements**") with one or more Lenders (in such capacity, collectively, "**Interest Rate Exchangers**");

WHEREAS, Grantor has executed and delivered that certain Subsidiary Guaranty dated as of December 19, 1997 (said Subsidiary Guaranty, as it may hereafter be amended,

supplemented or otherwise modified from time to time, being the "**Guaranty**") in favor of Fleet, as collateral agent for and representative of (in such capacity herein called "**Secured Party**") the Lenders and their respective agents party to the Credit Agreements and any Interest Rate Exchangers, pursuant to which Grantor has guaranteed the prompt payment and performance when due of all obligations of Company under the Credit Agreements and all obligations of Company under the Lender Interest Rate Agreements, including the obligation of Company to make payments thereunder in the event of early termination thereof; and

WHEREAS, pursuant to the terms of that certain Subsidiary Patent and Trademark Security Agreement dated as of September __, 1998 (as amended, supplemented or otherwise modified from time to time, the "**Security Agreement**") between Grantor and Secured Party, Grantor has agreed to create in favor of Secured Party, for the benefit of Lenders and Interest Rate Exchangers, a secured and protected interest in, and Secured Party has agreed to become a secured creditor with respect to, the Trademark Collateral:

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, subject to the terms and conditions of the Guaranty and the Security Agreement, Grantor hereby assigns and grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest (either directly or pursuant to a license or otherwise) and wherever the same may be located (the "**Trademark Collateral**"), as security for the Secured Obligations (as defined in the Security Agreement):

(a) (1) all trademarks, service marks, designs, logos, indicia, tradenames, trade dress, corporate names, company names, business names, fictitious business names, trade styles and/or other source and/or business identifiers and applications pertaining thereto that are owned or used by Grantor in its business, or that are hereafter adopted and so used (in each case whether in whole or in part), including the trademarks specifically identified on Schedule I annexed hereto (all of the Collateral described in this clause (1) being referred to herein collectively as the "**Trademarks**"); (2) all registrations that have been or may hereafter be issued or applied for on any existing or future Trademarks in the United States or any state thereof or in any foreign country, including the registrations and applications specifically identified on Schedule I annexed hereto (all of the Collateral described in this clause (2) being referred to herein collectively as the "**Trademark Registrations**"); (3) all common law and other rights (but in no event any of the obligations) in and to the Trademarks in the United States or any state thereof or in any foreign country (all of the Collateral described in this clause (3) being referred to herein collectively as the "**Trademark Rights**"); (4) all goodwill of Grantor's business symbolized by the Trademarks and associated therewith, including the documents and other things described in the following paragraph (b) (all of the Collateral described in this clause (4) being referred to herein collectively as the "**Associated Goodwill**"); and (5) the right (but not the obligation)

(3) all documents which reveal the name and address of any source of supply, and any terms of purchase and delivery, for any and all materials, components and services used in the production of products and services sold or delivered under or in connection with the Trademarks or Trademark Rights; and

(4) all documents constituting or concerning the then current or proposed advertising and promotion by Grantor or its Affiliates, licensees or subcontractors of products and services sold or delivered under or in connection with the Trademarks or Trademark Rights, including all documents which reveal the media used or to be used and the cost for all such advertising conducted within the described period or planned for such products and services;

(c) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the Trademark Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon;

(d) to the extent not otherwise included in the foregoing paragraphs (a) - (c), all general intangibles relating to the Trademark Collateral; and

(e) all proceeds, products, rents and profits (including license royalties and proceeds of infringement suits) of or from any and all of the foregoing Trademark Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Trademark Collateral. For purposes of this Grant of Trademark Security Interest, the term "proceeds" includes whatever is receivable or received when Trademark Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

to register claims under any state or federal trademark law or regulation or any trademark law or regulation of any foreign country and to apply for, renew and extend the Trademarks, Trademark Registrations and Trademark Rights, and the right (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of Grantor or in the name of Secured Party or otherwise for past, present and future infringements of the Trademarks, Trademark Registrations or Trademark Rights and all rights (but not obligations) corresponding thereto in the United States or any state thereof or any foreign country; it being understood that the rights and interests included in this paragraph (a) shall include all rights and interests pursuant to licensing or other contracts in favor of Grantor pertaining to any Trademarks, Trademark Registrations or Trademark Rights presently or in the future owned, held or used by third parties but, in the case of third parties which are not Affiliates of Grantor, only to the extent permitted by such licensing or other contracts and, if not so permitted under such contracts, only with the consent of such third parties;

(b) the following documents and things in Grantor's possession, or subject to Grantor's right to possession, related to (Y) the production, sale and delivery by Grantor, or by any Affiliate, licensee or subcontractor of Grantor, of products or services sold or delivered by or under the authority of Grantor in connection with the Trademarks, Trademark Registrations or Trademark Rights (which products and services shall, for purposes of this Agreement, be deemed to include products and services sold or delivered pursuant to merchandising operations utilizing any Trademarks, Trademark Registrations or Trademark Rights) or (Z) any retail or other merchandising operations conducted under the name of or in connection with the Trademarks, Trademark Registrations or Trademark Rights by Grantor or any Affiliate, licensee or subcontractor of Grantor:

(1) all lists and ancillary documents that identify and describe any of Grantor's customers, or those of its Affiliates, licensees or subcontractors, for products sold and services delivered under or in connection with the Trademarks or Trademark Rights, including any lists and ancillary documents that contain a customer's name and address, the name and address of any of its warehouses, branches or other places of business, the identity of the Person or Persons having the principal responsibility on a customer's behalf for ordering products or services of the kind supplied by Grantor, or the credit, payment, discount, delivery or other sale terms applicable to such customer, together with information setting forth the total

IN WITNESS WHEREOF, Grantor has caused this Grant of Trademark Security Interest to be duly executed and delivered by its officer thereunto duly authorized as of the ____ day of September, 1998.

ANAGRAM INTERNATIONAL, INC.

By: _____
Name:
Title:

**SCHEDULE I
TO
GRANT OF TRADEMARK SECURITY INTEREST**

<u>Registered Owner</u>	United States <u>Trademark Description</u>	Registration <u>Number</u>	Registration <u>Date</u>
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**EXHIBIT B
TO
SUBSIDIARY PATENT AND TRADEMARK SECURITY AGREEMENT**

[FORM OF]

GRANT OF PATENT SECURITY INTEREST

WHEREAS, [NAME OF GRANTOR], a _____ corporation ("**Grantor**"), owns and uses in its business, and will in the future adopt and so use, various intangible assets, including the Patent Collateral (as defined below);

WHEREAS, AMSCAN HOLDINGS, INC., a Delaware corporation ("**Company**"), as borrower, has entered into an Amended and Restated AXEL Credit Agreement dated as of September 17, 1998 (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "**AXEL Credit Agreement**") with the financial institutions named therein as lenders (collectively, together with their respective successors and assigns party to the AXEL Credit Agreement from time to time, "**AXEL Lenders**") and **FLEET NATIONAL BANK** ("**Fleet**"), as administrative agent for AXEL Lenders, pursuant to which AXEL Lenders have made certain commitments, subject to the terms and conditions set forth in the AXEL Credit Agreement, to extend certain term loan credit facilities (the "**AXEL Loans**") to Company;

WHEREAS, Company has entered into an Amended and Restated Revolving Loan Credit Agreement dated as of September 17, 1998 (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "**Revolving Loan Credit Agreement**"; together with the AXEL Credit Agreement, the "**Credit Agreements**") with the financial institutions named therein as lenders (collectively, together with their respective successors and assigns party to the Revolving Loan Credit Agreement from time to time, the "**Revolving Loan Lenders**"; together with the AXEL Lenders, the "**Lenders**") and Fleet, as administrative agent for Revolving Loan Lenders, pursuant to which Revolving Loan Lenders have made certain commitments, subject to the terms and conditions set forth in the Revolving Loan Credit Agreement, to extend certain revolving loan credit facilities (the "**Revolving Loans**", together with the AXEL Loans, the "**Loans**") to Company.

WHEREAS, Company may from time to time enter into one or more Interest Rate Agreements (collectively, the "**Lender Interest Rate Agreements**") with one or more Lenders (in such capacity, collectively, "**Interest Rate Exchangers**");

WHEREAS, Grantor has executed and delivered that certain Subsidiary Guaranty dated as of December 19, 1997 (said Subsidiary Guaranty, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "**Guaranty**") in favor of Fleet, as collateral agent for and representative of (in such capacity herein called "**Secured Party**") the Lenders and their respective agents party to the Credit Agreements and any Interest Rate Exchangers, pursuant to which Grantor has guaranteed the prompt payment and performance when due of all obligations of Company under the Credit Agreements and all obligations of Company under the Lender Interest Rate Agreements, including the obligation of Company to make payments thereunder in the event of early termination thereof; and

WHEREAS, pursuant to the terms of that certain Subsidiary Patent and Trademark Security Agreement dated as of September __, 1998 (as amended, supplemented or otherwise modified from time to time, the "**Security Agreement**") between Grantor and Secured Party, Grantor has agreed to create in favor of Secured Party, for the benefit of Lenders and Interest Rate Exchangers, a secured and protected interest in, and Secured Party has agreed to become a secured creditor with respect to, the Patent Collateral:

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, subject to the terms and conditions of the Guaranty and the Security Agreement, Grantor hereby assigns and grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest (either directly or pursuant to a license or otherwise) and wherever the same may be located (the "**Patent Collateral**"), as security for the Secured Obligations (as defined in the Security Agreement):

(a) all patents and patent applications and all rights, title and interests in patents and patent applications under any domestic or foreign law that are presently, or in the future may be, owned, held or used by Grantor, in whole or in part, including the patents and patent applications listed on Schedule I annexed hereto, all rights (but not obligations) corresponding thereto, including the right (but not the obligation) to sue for past, present and future infringements in the name of Grantor or in the name of Secured Party or otherwise, and all re-issues, divisions, continuations, renewals, extensions and continuations-in-part thereof (all of the foregoing Collateral described in this paragraph (a) being referred to herein collectively as the "**Patents**"); it being understood that the rights and interests included in the Patents under this Paragraph (a) shall include all rights and interests pursuant to licensing or other contracts in favor of Grantor pertaining to patents and patent applications presently or in the future owned, held or used by third parties but, in the case of third parties which are not Affiliates of Grantor, only to the extent permitted by such licensing or other contracts and, if not so permitted under such contracts, only with the consent of such third parties;

(b) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the Patent Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon;

(c) to the extent not otherwise included in the foregoing paragraphs (a) and (b), all general intangibles relating to the Patent Collateral; and

(d) all proceeds, products, rents and profits (including license royalties and proceeds of infringement suits) of or from any and all of the foregoing Patent Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Patent Collateral. For purposes of this Grant of Patent Security Interest, the term "proceeds" includes whatever is receivable or received when Patent Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

Grantor does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, Grantor has caused this Grant of Patent Security Interest to be duly executed and delivered by its officer thereunto duly authorized as of the ___ day of September, 1998.

ANAGRAM INTERNATIONAL, INC.

By: _____
Name:
Title:

**SCHEDULE I
TO
GRANT OF PATENT SECURITY INTEREST**

Patents Issued:

<u>Patent No.</u>	<u>Issue Date</u>	<u>Invention</u>	<u>Inventor</u>
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Patents Pending:

<u>Applicant's Name</u>	<u>Date Filed</u>	<u>Application Number</u>	<u>Invention</u>	<u>Inventor</u>
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**EXHIBIT C
TO
SUBSIDIARY PATENT AND TRADEMARK SECURITY AGREEMENT
[FORM OF]**

SUBSIDIARY PATENT AND TRADEMARK SECURITY AGREEMENT SUPPLEMENT

This **SUBSIDIARY PATENT AND TRADEMARK SECURITY AGREEMENT SUPPLEMENT**, dated _____, ____ is delivered pursuant to that certain Subsidiary Patent and Trademark Security Agreement, dated as of September __, 1998 (as it may be from time to time amended, modified or supplemented, the "Security Agreement"), between [NAME OF GRANTOR], a _____ corporation, as Grantor ("Grantor"), and **FLEET NATIONAL BANK**, as Secured Party ("Secured Party"). Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Security Agreement.

Subject to the terms and conditions of the Security Agreement, Grantor hereby grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the Intellectual Property Collateral listed on Supplemental Schedule [I] [II] attached hereto, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located. All such Intellectual Property Collateral shall be deemed to be part of the Collateral and hereafter subject to each of the terms and conditions of the Security Agreement.

IN WITNESS WHEREOF, Grantor has caused this Supplement to be duly executed and delivered by its duly authorized officer as of _____.

[NAME OF GRANTOR]

By: _____

Name:

Title:

**SUPPLEMENTAL SCHEDULE I
TO
SUBSIDIARY PATENT AND TRADEMARK SECURITY AGREEMENT**

Trademarks:

<u>Registered Owner</u>	<u>Trademark Description</u>	<u>Registration Number</u>	<u>Registration Date</u>
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**SUPPLEMENTAL SCHEDULE II
TO
SUBSIDIARY PATENT AND TRADEMARK SECURITY AGREEMENT**

Patents Issued:

<u>Patent No.</u>	<u>Issue Date</u>	<u>Invention</u>	<u>Inventor</u>
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Patents Pending:

<u>Applicant's Name</u>	<u>Date Filed</u>	<u>Application Number</u>	<u>Invention</u>	<u>Inventor</u>
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GRANT OF TRADEMARK SECURITY INTEREST

WHEREAS, ANAGRAM INTERNATIONAL, INC., a Minnesota corporation ("**Grantor**"), owns and uses in its business, and will in the future adopt and so use, various intangible assets, including the Trademark Collateral (as defined below);

WHEREAS, AMSCAN HOLDINGS, INC., a Delaware corporation ("**Company**"), as borrower, has entered into an Amended and Restated AXEL Credit Agreement dated as of September 17, 1998 (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "**AXEL Credit Agreement**") with the financial institutions named therein as lenders (collectively, together with their respective successors and assigns party to the AXEL Credit Agreement from time to time, "**AXEL Lenders**") and FLEET NATIONAL BANK ("**Fleet**"), as administrative agent for AXEL Lenders, pursuant to which AXEL Lenders have made certain commitments, subject to the terms and conditions set forth in the AXEL Credit Agreement, to extend certain term loan credit facilities (the "**AXEL Loans**") to Company;

WHEREAS, Company has entered into an Amended and Restated Revolving Loan Credit Agreement dated as of September 17, 1998 (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "**Revolving Loan Credit Agreement**"; together with the AXEL Credit Agreement, the "**Credit Agreements**") with the financial institutions named therein as lenders (collectively, together with their respective successors and assigns party to the Revolving Loan Credit Agreement from time to time, the "**Revolving Loan Lenders**"; together with the AXEL Lenders, the "**Lenders**") and Fleet, as administrative agent for Revolving Loan Lenders, pursuant to which Revolving Loan Lenders have made certain commitments, subject to the terms and conditions set forth in the Revolving Loan Credit Agreement, to extend certain revolving loan credit facilities (the "**Revolving Loans**", together with the AXEL Loans, the "**Loans**") to Company.

WHEREAS, Company may from time to time enter into one or more Interest Rate Agreements (collectively, the "**Lender Interest Rate Agreements**") with one or more Lenders (in such capacity, collectively, "**Interest Rate Exchangers**");

WHEREAS, Grantor has executed and delivered that certain Subsidiary Guaranty dated as of December 19, 1997 (said Subsidiary Guaranty, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "**Guaranty**") in favor of Fleet, as collateral agent for and representative of (in such capacity herein called "**Secured Party**") the Lenders and their respective agents party to the Credit

Agreements and any Interest Rate Exchangers, pursuant to which Grantor has guaranteed the prompt payment and performance when due of all obligations of Company under the Credit Agreements and all obligations of Company under the Lender Interest Rate Agreements, including the obligation of Company to make payments thereunder in the event of early termination thereof; and

WHEREAS, pursuant to the terms of that certain Subsidiary Patent and Trademark Security Agreement dated as of September 17, 1998 (as amended, supplemented or otherwise modified from time to time, the "**Security Agreement**") between Grantor and Secured Party, Grantor has agreed to create in favor of Secured Party, for the benefit of Lenders and Interest Rate Exchangers, a secured and protected interest in, and Secured Party has agreed to become a secured creditor with respect to, the Trademark Collateral:

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, subject to the terms and conditions of the Guaranty and the Security Agreement, Grantor hereby assigns and grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest (either directly or pursuant to a license or otherwise) and wherever the same may be located (the "**Trademark Collateral**"), as security for the Secured Obligations (as defined in the Security Agreement):

(a) (1) all trademarks, service marks, designs, logos, indicia, tradenames, trade dress, corporate names, company names, business names, fictitious business names, trade styles and/or other source and/or business identifiers and applications pertaining thereto that are owned or used by Grantor in its business, or that are hereafter adopted and so used (in each case whether in whole or in part), including the trademarks specifically identified on Schedule I annexed hereto (all of the Collateral described in this clause (1) being referred to herein collectively as the "**Trademarks**"); (2) all registrations that have been or may hereafter be issued or applied for on any existing or future Trademarks in the United States or any state thereof or in any foreign country, including the registrations and applications specifically identified on Schedule I annexed hereto (all of the Collateral described in this clause (2) being referred to herein collectively as the "**Trademark Registrations**"); (3) all common law and other rights (but in no event any of the obligations) in and to the Trademarks in the United States or any state thereof or in any foreign country (all of the Collateral described in this clause (3) being referred to herein collectively as the "**Trademark Rights**"); (4) all goodwill of Grantor's business symbolized by the Trademarks and associated therewith, including the documents and other things described in the following paragraph (b) (all of the Collateral described in this clause (4) being referred to herein collectively as the "**Associated Goodwill**"); and (5) the right (but not the obligation) to register claims under any state or federal trademark law or regulation or any trademark law or regulation of any

foreign country and to apply for, renew and extend the Trademarks, Trademark Registrations and Trademark Rights, and the right (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of Grantor or in the name of Secured Party or otherwise for past, present and future infringements of the Trademarks, Trademark Registrations or Trademark Rights and all rights (but not obligations) corresponding thereto in the United States or any state thereof or any foreign country; it being understood that the rights and interests included in this paragraph (a) shall include all rights and interests pursuant to licensing or other contracts in favor of Grantor pertaining to any Trademarks, Trademark Registrations or Trademark Rights presently or in the future owned, held or used by third parties but, in the case of third parties which are not Affiliates of Grantor, only to the extent permitted by such licensing or other contracts and, if not so permitted under such contracts, only with the consent of such third parties;

(b) the following documents and things in Grantor's possession, or subject to Grantor's right to possession, related to (Y) the production, sale and delivery by Grantor, or by any Affiliate, licensee or subcontractor of Grantor, of products or services sold or delivered by or under the authority of Grantor in connection with the Trademarks, Trademark Registrations or Trademark Rights (which products and services shall, for purposes of this Agreement, be deemed to include products and services sold or delivered pursuant to merchandising operations utilizing any Trademarks, Trademark Registrations or Trademark Rights) or (Z) any retail or other merchandising operations conducted under the name of or in connection with the Trademarks, Trademark Registrations or Trademark Rights by Grantor or any Affiliate, licensee or subcontractor of Grantor:

(1) all lists and ancillary documents that identify and describe any of Grantor's customers, or those of its Affiliates, licensees or subcontractors, for products sold and services delivered under or in connection with the Trademarks or Trademark Rights, including any lists and ancillary documents that contain a customer's name and address, the name and address of any of its warehouses, branches or other places of business, the identity of the Person or Persons having the principal responsibility on a customer's behalf for ordering products or services of the kind supplied by Grantor, or the credit, payment, discount, delivery or other sale terms applicable to such customer, together with information setting forth the total purchases, by brand, product, service, style, size or other criteria, and the patterns of such purchases;

(2) all product and service specification documents and production and quality control manuals used in the manufacture or delivery of products and services sold or delivered under or in connection with the Trademarks or Trademark Rights;

(3) all documents which reveal the name and address of any source of supply, and any terms of purchase and delivery, for any and all materials, components and services used in the production of products and services sold or delivered under or in connection with the Trademarks or Trademark Rights; and

(4) all documents constituting or concerning the then current or proposed advertising and promotion by Grantor or its Affiliates, licensees or subcontractors of products and services sold or delivered under or in connection with the Trademarks or Trademark Rights, including all documents which reveal the media used or to be used and the cost for all such advertising conducted within the described period or planned for such products and services;

(c) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the Trademark Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon;

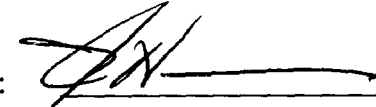
(d) to the extent not otherwise included in the foregoing paragraphs (a) - (c), all general intangibles relating to the Trademark Collateral; and

(e) all proceeds, products, rents and profits (including license royalties and proceeds of infringement suits) of or from any and all of the foregoing Trademark Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Trademark Collateral. For purposes of this Grant of Trademark Security Interest, the term "**proceeds**" includes whatever is receivable or received when Trademark Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

Grantor does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, Grantor has caused this Grant of Trademark Security Interest to be duly executed and delivered by its officer thereunto duly authorized as of the 17th day of September, 1998.

ANAGRAM INTERNATIONAL, INC.

By: 
Name: _____
Title:

**SCHEDULE I
TO
GRANT OF TRADEMARK SECURITY INTEREST**

Mark	Status	Country	Reg. No.	Issued Date	Appl. No.	Filing Date
AIRWALKERS	Registered	U.S.	1533437	4/4/89	746711	8/17/88
ANAGRAM and design	Filed	U.S.			218791	11/30/94
MAGIC WRAP	Registered	U.S.	1854180	9/13/94	74/376904	4/8/93
ANAGRAM	Registered	U.S.	1905750	7/18/95	74/457658	11/12/93
ANAGRAM	Registered	U.S.	1910206	8/8/95	74/457659	11/12/93
ANAGRAM and Design	Registered	U.S.	2052522	4/15/97	75/087374	4/12/96
RAINBOW LOGO	Registered	U.S.	2052521	4/15/97	75087368	4/12/96

NY1-0632161
Subsidiary Patent and Trademark
Security Agreement

EXECUTION COPY